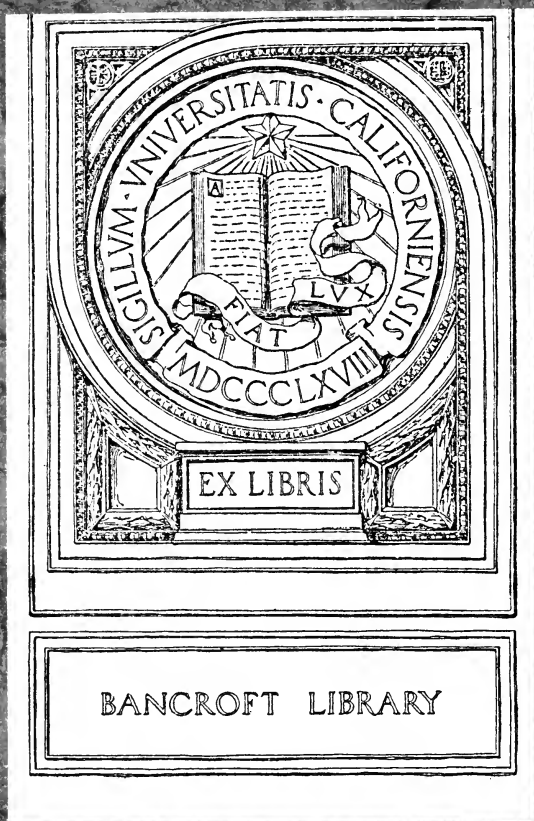


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REPORT
OF
THE LATIN AMERICAN RETURN
VISIT COMMITTEE

**APPOINTED BY THE SECRETARY OF THE TREASURY OF THE
UNITED STATES IN COMPLIANCE WITH THE RESOLUTION
OF THE FIRST PAN AMERICAN FINANCIAL CONFERENCE**

ISSUED BY THE SECRETARY OF THE TREASURY



WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

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REPORT OF THE LATIN AMERICAN RETURN VISIT COMMITTEE.

SIR: I have the honor to transmit on behalf of the Latin-American Return Visit Committee the reports of the parties sent out under the direction of the committee appointed by you pursuant to a resolution of the First Pan American Financial Conference, adopted May 28, 1915. The resolution in question reads as follows:

That the Latin-American States unite in inviting the banks and industrial and commercial groups here present to join together and visit within a period of six months the countries of Central and South America, where they will be received by Governments, chambers of commerce, and industrial interests.

To which end, the Governments of the countries to be visited will hold it an honor to have the visitors as their guests.

Details regarding the itinerary, etc., will be fixed at the proper time.

That a special committee representing the States assembled here be formed, together with their diplomatic representatives accredited to the United States, for the purpose of taking up and carrying out this suggestion.

And as a complementary measure * * * that the Secretary of the Treasury * * * appoint a United States committee charged with giving practical form to this idea and to organize the trip which is to result from it.—(Proceedings First Pan American Financial Conference, Washington, 1915, p. 236.)

This resolution having been unanimously approved by the delegates to the conference, you appointed the following members upon the general Latin-American Return Visit Committee: James A. Farrell, *chairman*, New York City; Mr. H. E. Bard, New York City; Hon. John Barrett, Washington, D. C.; Mr. D. P. Black, Pittsburgh, Pa.; Mr. John Clausen, San Francisco, Cal.; Mr. D. Y. Cooper, Henderson, N. C.; Mr. G. A. Davidson, San Diego, Cal.; Hon. Duncan U. Fletcher, Jacksonville, Fla.; Mr. Elliot H. Goodwin, Washington, D. C.; Mr. S. M. Hastings, Chicago, Ill.; Mr. S. T. Henry, New York, N. Y.; Mr. Daniel Kelleher, Seattle, Wash.; Mr. W. S. Kies, New York, N. Y.; Mr. A. L. Mills, Portland, Oreg.; Mr. Charles C. Moore, San Francisco, Cal.; Mr. Walter Parker, New Orleans, La.; Mr. James J. Shirley, New York, N. Y.; Mr. Willard Straight, New York, N. Y.; Mr. Edwin Warfield, Baltimore, Md.; Mr. Robert H. Patchin, *secretary*, New York, N. Y.

The labors of this committee, extending over one year and consisting of organization of the several parties which visited Latin American countries, were financially sustained by voluntary contributions from the members. No appropriation of public funds was

made and the entire expense of all the parties was borne by their members. The International High Commission, Hon. W. G. McAdoo, chairman; Dr. L. S. Rowe, secretary general; Dr. C. E. McGuire, assistant secretary general, cooperated with and supported the committee's work, and appreciative acknowledgment of this assistance is hereby made.

It is proper also to make due and sincere acknowledgment on behalf of this committee, as well as on behalf of the gentlemen comprising the several commissions, of the deep interest shown in this work and ample facilities extended for its performance by the Departments of State and of Commerce, which furnished letters and official credentials to all the parties and assured the effective assistance of the commercial attachés and consular representatives of the United States throughout Latin America. The thanks of the committee are due the Navy Department for the transportation afforded by the U. S. S. *Cleveland* to the party visiting the countries of Central America, without which their itinerary could not have been expeditiously completed. Also to the Pan American Union is the committee deeply indebted.

At the outset, it was contemplated that a special commission should be sent to each country with the exception of the Republics of Central America and of the West Indies. One party, it was felt, could satisfactorily cover the West Indian Republics and another could be so arranged as to visit the six Republics of Central America.

The rapid changes in business conditions in the United States during the winter of 1915-16 made it inexpedient to organize parties large enough for practical purposes for each of the countries of South America, and, consequently, it became necessary to plan for a commission to visit the west coast of South America and another to visit Paraguay and Uruguay. It was also contemplated that one group should visit both Colombia and Venezuela.

Your committee carefully canvassed the financial and industrial centers of the United States for appropriate representatives of the great commercial and financial activities of the United States, and organized separate commissions as herewith listed:

Argentina.—Mr. Owen Gathright, vice president, Harbison & Gathright, Louisville, Ky., *chairman*; Mr. J. Ralph Pickell, Secretary of the Chicago Council of Grain Exchanges, Chicago, Ill.; Mr. David Beecroft, directing editor, The Automobile, Motor Age, etc., New York City; Mr. Charles W. Cheney, Harvard University, Cambridge, Mass., *secretary*.

Uruguay.—Mr. Arthur H. Titus, National City Bank, New York City, *chairman*; Mr. William E. Hinchliff, president, Burson Knitting Co., Rockford, Ill.; Mr. Thomas A. Crimmins, Crimmins &

Peirce Co., Boston, Mass.; Mr. Henry L. Janes, engineer, Montevideo, Uruguay; Mr. Emerson Hinchliff, Buenos Aires, Argentina.

Brazil.—Dr. Richard P. Strong, American International Corporation, New York City, *chairman*; Mr. Charles Lyon Chandler, Southern Railway Co., Chattanooga, Tenn., *secretary*; Mr. W. L. Findley, lawyer, New York City; Mr. Louis R. Gray, Arbuckle Bros. Co., Rio de Janeiro, Brazil; Mr. Frederico Lage, Wm. Morris Imbrie & Co., New York, N. Y.; Dr. Edward F. Stace, president, Stace, Burroughs & Co., Chicago, Ill.; Mr. Thomas W. Streeter, Streeter & Holmes, Boston, Mass.; Mr. Arthur C. Weigel, Walsh & Weidener Boiler Co., Chattanooga, Tenn.; Mr. Henry C. Ulen, president, Ulen Contracting Co., Chicago, Ill.

Peru, Bolivia, and Chile.—Mr. Ernest H. Wands, American International Corporation, New York City, *chairman*; Mr. O. M. Clark, president, Clark & Wilson Lumber Co., Portland, Oreg.; Mr. A. W. McLellan, president, Alden Mills Corporation, New Orleans, La.

Central America.—Mr. Lamar C. Quintero, general attorney, tropical divisions, United Fruit Company, New Orleans, La., *chairman*; Mr. Ernest E. Ling, manager, foreign trade department, National City Bank, New York City; Mr. John Clausen, manager, foreign department, Crocker National Bank, San Francisco, Cal.; Mr. J. P. Ripley, J. G. White & Co., New York City; Mr. Thomas J. Walker, vice president, First National Bank, San Fernando, Cal.; Mr. Roger W. Babson, president, Babson Statistical Corporation, Wellesley Hills, Mass.; Mr. A. A. Biddle, Philadelphia, Pa., *secretary*.

The parties contemplated for Venezuela and Colombia and for Cuba and the other Republics of the West Indies have not yet been organized on account of war conditions and it is doubtful just when they may be set on foot. We believe it unwise further to delay publication of the reports which have come to hand, especially since the supplementary reports of the commissions just alluded to can be submitted directly to your office whenever the visits actually shall have been made.

The accounts given of the various trips by the gentlemen comprising the respective commissions are clear, straightforward statements of fact, requiring little commentary or elucidation in a letter of transmittal such as this. Your committee, however, will be permitted, perhaps, to call attention to certain interesting points contained in the several reports.

The report of the Argentine commission contains, as do indeed nearly all the reports, evidence of the need at this time of legislation permitting the producers, manufacturers, and merchants in the United States to combine for purposes of export trade. It has been all too true, as the text of the Argentine report puts it, that

"there are very many persons who take it for granted that unless a particular manufacturing company is large enough and powerful enough to engage in direct exporting, it has no alternative but to confine its efforts to the domestic market." Once more, the members of your committee feel that the business community of this country must be awakened to the necessity of, and full advantages to be derived from, such legislation as the Webb-Pomerene bill permitting cooperation in export trade.

The report of the Brazilian commission particularly, and other reports incidentally, have dwelt upon the need for more extensive use of the metric system of weights and measures in our foreign trade. The extent to which human ingenuity has equalized the conditions under which production and distribution of merchandise are carried on everywhere in the world makes it necessary for us to take into account what are apparently the smallest factors, if we are not merely to hold our own with our competitors but to get an increased share of the world's commerce, a share commensurate with our great resources and our ability fairly and generously to serve the needs of the rest of the world. Every factor, such as the use of the metric system of weights and measures in catalogues, correspondence, specifications, etc., as well as ready and cheerful acceptance of other requirements of our customers abroad and of their Governments, including those which have reference to customs regulations, packing, the handling of shipping documents, etc., must be given due attention by our manufacturers if they are to hold the place that they have gained in the markets of the world.

The commission which visited the west coast refers to the necessity for a larger number of consular agents; and it may not be improper to emphasize the desirability of increasing our staff of consuls and consular agents throughout Latin America. Immediate increase of the clerical force is required. The presence of loyal and vigorous representatives in all foreign ports and trade centers where there is a potential market for our goods or which seem a likely source of products which our own industries will need, is most earnestly to be hoped for. This is rendered urgent by the consular and diplomatic services' heavily increased duties in administration of war trade regulations.

In the report of the commission which visited the six Republics of Central America there will be found special reference to the great need for uniformity of commercial law and fiscal administrative methods throughout Latin America. Your committee feels that it would not be doing justice to the great cause of international commerce if it failed to express its hearty indorsement of the work done, under your guidance, by the International High Commission, looking toward uniformity in the commercial law and simplification of the

methods of fiscal administration of the American Republics which was already well under way when the visits of these parties to the countries of Central and South America were made; and which, of course, has since been carried to a more advanced stage. Only through the wider acquaintance of the leaders in finance and industry in all portions of the hemisphere can the groundwork be laid for a lasting structure of friendly social and economic relations, and such a foundation has been laid and will from time to time be strengthened by Pan American financial conferences and parties organized to visit our sister Republics. Upon this foundation must be built the solid superstructure of study and scientific analysis of the laws and administrative systems of all the Republics, study and analysis which will result in substantial uniformity and harmony of administrative methods and legal processes. This is the work which the International High Commission has carried on and must continue to carry on with success. We especially commend its effort to secure uniform methods of classification of merchandise for statistical purposes as the basis of a later effort to make uniform the customs tariffs of this hemisphere.

The mutual interests of the United States and the sister Republics were apparent to all visiting parties, but with the entrance of the United States in the war Pan Americanism has become an essential element of the great task of winning the war. Nine Governments of Latin America have either declared war upon Germany, or have broken off diplomatic relations. There is no country in Latin America which does not supply some material required in the production of supplies and munitions of war, and some foodstuff necessary to sustain the army or the belligerent population behind the army. The friendly commercial relations developed between the United States and sister Republics before the war, and the market offered here for Latin-American produce, created channels in commerce through which is now flowing a steadily increasing stream of materials indispensable to our life and industry and to our part in the present conflict. The proportion of Latin-American produce directly imported by Europe has decreased. The exports from the United States to Latin-American countries have greatly expanded both in volume and value. The natural economic reciprocity of the United States and the other Republics is emphasized by the fact that the United States offers the largest and most profitable market for their produce, while they can now obtain nowhere else much of the manufactured merchandise necessary to their development. In fact, they must have many American manufactures in order to carry on their production of nitrates, manganese, iron and copper ore, rubber, tin, wool, hides, and foodstuffs, which the United States and the nations with which we are associated in the war now so urgently require.

One of the most pressing problems for the United States is to expand, as a war measure, the production necessary to permit increased exportation to Latin America. This will powerfully support our financial and productive resources for the successful prosecution of the war.

The recommendations of the return visit parties, coinciding as they do with those of other organizations would, if carried into effect before 1917, have strengthened the United States for its part in the war. They should, through national policy, be accomplished without delay. Practical Pan Americanism calls for a larger degree of cooperation than hitherto has been possible.

All the parties have emphasized the necessity of improved facilities for transportation. Generally speaking, the tonnage available for exports has been sufficient for the traffic because the total tonnage of imports greatly exceeds that of exports; and vessels returning to South America for wool, coffee, nitrate, copper ore, sugar, etc., have afforded ample space.

During the period of our neutrality it was strikingly apparent that the commerce of the United States with Latin American Republics was at a disadvantage because it was so largely dependent upon steamers under European flags, the service of which was rapidly depleted by governmental requisition. The officials of all countries visited emphasized their desire for direct and more frequent steamship communication with the United States. The various Governments, both in the Pan American Financial Conference and otherwise, have indicated their desire to assist in a practical manner the establishment of direct services. The problem is not alone one of steamship services under the United States flag. Several of our neighbors have considerable merchant fleets and some of them have pursued constructive policies for strengthening their commercial carrying power.

The importance of investment of capital in the development of Latin American resources by the business interests in the United States is apparent. The progress of Mexico, Cuba, the Republics of Central America, and the northern part of South America is in no small degree due to American investments, and the predominance of American merchandise in the import trade of those nations bears a close relation to these investments. Farther south the proportion of investments by business interests in the United States is less, but it has been steadily increasing during the last three years and, for the first time, certain of the larger South American Governments have borrowed extensively in the United States.

During the war the United States will probably not be in a position to make large investments for industrial purposes in Latin American countries, but it should be remembered that they are de-

pendent upon foreign capital for development and that their ability to serve the commercial needs of more fully developed countries is in direct proportion to the extent that the financial resources of such countries are available to them.

The responsiveness of the commerce, and indeed of the whole economic situation, of the countries of Latin America to the shock of world war, is dwelt upon by all the visitors whose impressions are here gathered, and once more it is made clear that the world's commerce is a delicate fabric wholly unified and readily affected throughout its extent by a disturbance of any portion of it. When we have learned how closely related to the prosperity and well being of our domestic commerce and, indeed, of our domestic affairs and government, is the trade and body of commercial relations which we maintain with the other nations of the world, we will realize how necessary it is for every producer and manufacturer on no matter how small a scale to keep himself fully informed of the principles and tendencies of international commerce. When we have come to know how much the relations existing between our country and our neighbors in this hemisphere or the other will affect vitally and immediately the entire structure of our industry and trade, we shall take more intelligent and vigilant care to see that those relations are upon the best possible basis than we have ever done before.

The committee feels, Mr. Secretary, that the resolution of the Pan American Financial Conference has substantially been carried out, and that the process has been an instructive and valuable one, whereof the record is now submitted for such disposition as you may care to make; and, on behalf of my colleagues, I extend the sincere thanks of our committee for the stimulus and assistance that you have given, and I ask that the committee be discharged.

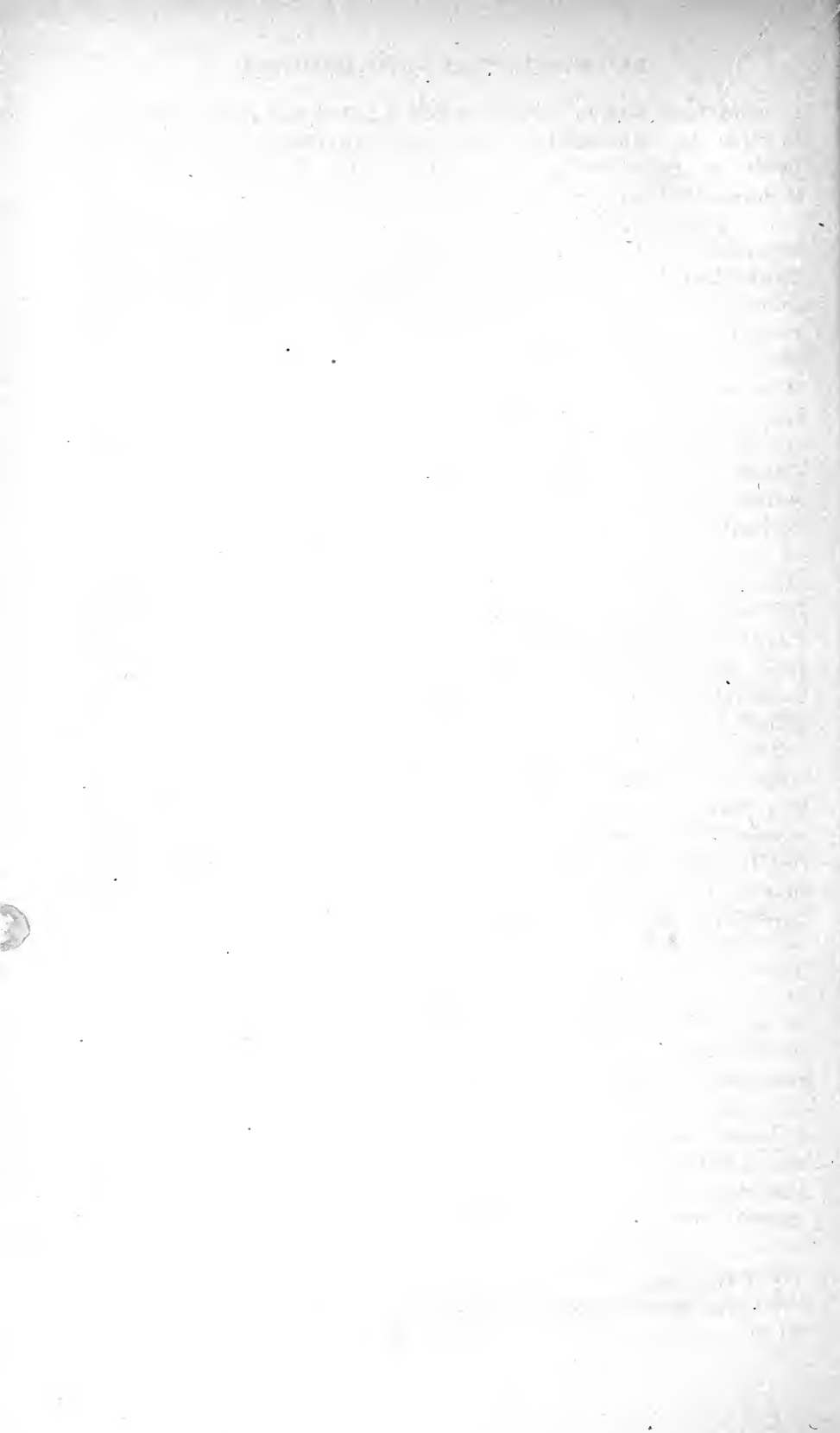
Respectfully,

JAMES A. FARRELL, *Chairman.*

ROBERT H. PATCHIN, *Secretary.*

The Honorable

THE SECRETARY OF THE TREASURY,
Washington, D. C.



REPORT OF FINANCIAL AND COMMERCIAL COMMISSION TO ARGENTINA.

Hon. W. G. McADOO,
Secretary of the Treasury,
Washington, D. C.

SIR: The commission appointed by you to visit Argentina, in response to the invitation extended to the business men of the United States by the Latin American delegates to the First Pan American Financial Conference in Washington, May 25-29, 1915, consisted of the following: Mr. Owen Gathright, vice president of Harbison & Gathright, wholesale leather and saddlery merchants, Louisville, Ky., chairman; Mr. J. Ralph Pickell, secretary of the Chicago Council of Grain Exchanges, Chicago, Ill.; Mr. David Beecroft, directing editor of *The Automobile*, *Motor Age*, *Motor World*, *Motor Print*, *The Commercial Vehicle*, and other periodicals devoted to the automobile industry; and Mr. Charles W. Cheney, of Harvard University, secretary of the commission.

In order to facilitate its study of commercial and industrial conditions in Argentina, Dr. Albert Hale, commercial attaché of the United States Embassy at Buenos Aires, was associated with the commission.

The party sailed from New York on April 29, 1916, arriving in Buenos Aires on May 22. On May 29 the commission adopted the somewhat unusual course of visiting the interior for information. The itinerary included the important commercial cities of Rosario and Santa Fé on the River Paraná, the educational and industrial center at Córdoba, and the sugar-growing region about Tucumán. This route also passed through some of the very fine agricultural and cattle-raising country on which the prosperity of the nation is founded.

The official visit of the commission concluded on June 10 with a dinner given in its honor by the United States Ambassador and Mrs. Stimson, at which prominent Argentine officials were present. The members returned to the United States at intervals thereafter, as soon as each had completed his special investigation.

The general report of the committee follows. For much of the information contained in it, the members of the committee would

express grateful acknowledgement to Prof. P. T. Cherington and Dr. Julius Klein, of the Harvard University School of Business Administration. Following the general report of the committee will be found some notes and special observations prepared by Mr. Gathright. Similar special reports were prepared by Messrs. Beecroft and Pickell. Mr. Beecroft's report upon the automobile market has been published by the Department of Commerce in Miscellaneous Series, No. 62, which may be obtained from the superintendent of documents, Government Printing Office, Washington. Mr. Pickell's report upon the market for agricultural machinery, and the extent and character of the Argentine grain trade has been published privately in an attractive booklet by the J. Rosenbaum Grain Co., of Chicago.

I. DESCRIPTION AND RESOURCES OF ARGENTINA.

The Argentine Republic embraces an area of over 1,000,000 square miles, roughly equivalent to that part of the United States east of the Mississippi River. It covers 35° of longitude, or a range equal to that between Cuba and Labrador. But the pampa, which is the most fertile and commercially important part of the country, is included between the latitudes of 30° and 40° S., while Buenos Aires, the capital, corresponds roughly to the latitude of Charleston, S. C., or Los Angeles, Cal. At this point the Republic has a width of about 700 miles to the crest of the Andes, with the Pacific Ocean only 100 miles beyond. For some 200 miles east of the mountains the rainfall is insufficient to support crops and irrigation has been employed to some extent. The remaining two-thirds of the pampa contains some of the finest land in the world, and it is here that the greatest development has taken place.

The population of Argentina is now nearly 8,000,000, approximately that of Canada. It is doubling about every 20 years as new regions are opened up to settlement and communication. Indians are found only in the remote provinces, while negroes are scarcely ever to be seen. It is probable, in fact, that the proportion of white people is larger than in our own country.

Buenos Aires, a clean, cosmopolitan, and enterprising city of about 1,500,000 inhabitants, is 7,000 miles distant from New York and is reached by direct passenger steamers of 10,000 tons in 23 days. Owing to the marvelous development of the interior, additional deep-water ports have been constructed at Bahia Blanca (on the coast 500 miles south of Buenos Aires), Rosario (200 miles up the River Paraná from the capital), and Santa Fé (100 miles above Rosario). All these ports enjoy the most modern facilities, including docks, warehouses, loading machinery, and direct railroad connection. The chief im-

portance of the first two is for the exportation of grain, and of the last for the exportation of forest products, while Buenos Aires remains the leading center for importation. In addition to these large ports, there are numerous small towns, both on the coast and on the Rivers Paraná and Uruguay, which are accessible by steamers discharging into lighters as inducement offers, and regularly by transshipment at the more important ports to coastwise or river steamers. A point to be remembered is that, since almost all of South America lies to the east of the United States, the ports on the English Channel are to all intents and purposes as near to Buenos Aires as New York or Boston.

Until recently the railway system of Argentina has been growing very rapidly. There are now over 22,000 miles of line of meter gauge (3 feet 3 inches), standard gauge (4 feet 8½ inches), and broad gauge (5 feet 6 inches), the last of which comprises more than half the total. Argentina thus has a greater railway mileage than any other country south of the equator. The service is very good, and no discomforts are to be expected in traveling. Hotels in the cities of commercial importance will be found entirely satisfactory.

The leading industry in Argentina is the growing of cereals, chiefly wheat, corn, and linseed, for which her broad fertile plains are admirably adapted. The country now ranks with Canada and Russia as one of the granaries of the world. Next in importance is the live-stock industry, in which Argentina has taken the place of the United States as one of the leading sources of the world's supply. Some of this development is due to the erection of facilities for slaughtering and refrigerating for the European market by American packers, who were suffering from the decreasing supply of cattle in this country. A remarkable development which has occurred recently has been the fact that live-stock products have displaced agricultural products as the chief exports of the country. This is due to the bumper crops in the United States and Canada in 1915 and to the shortage of shipping, with the result that comparatively little grain was bought from Argentina, while the demands of the outside world for her hides, wool, and frozen meats were unchecked. In 1916, on the other hand, both the United States and Argentina were suffering from extremely short crops. The third important group of exports is forest products, which consist chiefly of the extract of quebracho, obtained from the great forests north of Santa Fé and sent abroad for use in tanning.

In addition to these staple industries, figuring so prominently in the export trade, are other activities which limit themselves to supplying the home market. Chief among them are the sugar industry

of Tucumán and Salta, and the wine industry of Mendoza. There is some development of water power, especially at Córdoba, where flour mills and shoe factories are operated by electricity. The fact that practically all the coal used in the country had been, before the war, largely imported from Great Britain, and is now imported from the United States, prevented the growth of manufacturing to any great extent, and probably will continue to do so. This lack of coal also explains the high rates on the railways, as well as the fact that the houses are not heated in winter. Recently, petroleum has been discovered in the remote southern part of the country, but it is too early to predict how great its effect will be.

The following figures, taken from Argentina official reports and converted into United States dollars at the rate of 96.5 cents for a gold peso, will give some idea of the effect of the war on the foreign commerce of Argentina:

Year.	Exports.	Imports.
Dec. 31, 1913	\$466,581,888	\$406,605,203
Dec. 31, 1914	337,030,246	282,304,274
Dec. 31, 1915	538,740,820	218,951,487
Dec. 31, 1916	453,911,952	211,343,535

These figures indicate that Argentina did not escape the world-wide paralysis of trade immediately following the declaration of war in Europe. In common with the rest of the world, exports were checked by the uncertainty as to delivery and payment, and consumption of both domestic and imported goods was reduced to bare necessities. The high figure for exports in 1915 is stated to be due to exceptionally high prices, especially for meat products, and not to an increase in the volume of exports. The intensification of the shipping famine, with a consequent reduction in volume, explains the falling off in 1916, though the figures for that year remain approximately equal to those for 1913. This condition is reflected, as already explained, in the decrease of 49 per cent, or nearly half, in the exportation of agricultural products during the first half year (the latest period for which detailed figures are available). Meanwhile, the decline in imports, very sharp at first, is being gradually checked. But a change in the other direction is not to be expected until new construction is resumed throughout the country, and that depends to a great extent on the investment of foreign capital—a subject which will be discussed farther on. It is important to note the trend of these import figures, however, in order to understand the remarkable fluctuations in Argentina's imports from the United States.

The changes in Argentina's trade with this country during the first two and a half years of the war are shown by the following table, based on figures in the Statistical Abstract of the United States. Since these figures are differently compiled, and cover a different period from those of the Argentine Government already given, any comparisons indicating percentages will be only approximately correct. The reason for using these different sets of figures is simply to show the latest statistics available in each group. The figures for Argentina's trade with the United States follow:

Years.	Exports to United States.	Imports from United States.
June 30, 1913.....	\$26,863,732	\$52,894,834
June 30, 1914.....	45,123,988	45,179,089
June 30, 1915.....	73,766,258	32,549,606
June 30, 1916.....	112,512,420	65,993,611
Dec. 31, 1916 ¹	116,292,647	76,874,254

In her trade with this country Argentina's exports have shown a steady and very remarkable growth, having increased more than fourfold. Her imports, on the other hand, at first showed a very striking falling off, being in the fiscal year 1915 a full \$20,000,000 less than two years previously. The figures for her total imports go far toward explaining this change; for, when consumption was restricted, there was naturally a decrease in purchases from the United States, as well as from other countries. Indeed, were it not for the fact that many new lines of American goods have been introduced during this period, a still greater decrease would have been shown. Lately this latter influence has been overcoming the former, so that imports from the United States are now increasing rapidly, while total imports continue to decline. Arranged in descending order, the new lines, and those in which an increase is shown, include coal, iron and steel products, cotton and cotton goods, oils, paper, glass, cleaned rice, malt, sacks for packing meat, spare parts for vehicles, and woolen cloths. The lines in which Argentina has enlarged her exports to us are wool, hides, frozen meat, and linseed. Much of this increase represents goods which formerly reached this country from Argentina via England or some other point of transshipment. The latest figures available (calendar year 1916) show that Argentina's exports to us have increased 334 per cent over the fiscal year 1913, while her imports from us have increased only 45 per cent. We are thus in a more favorable position to increase our sales to Argentina than before the war, as any increase now would tend to restore the equilibrium rather than to upset it.

¹ [The figures for 1917 may be interesting: Exports to United States, \$178,245,833; imports from the United States, \$107,041,905.—Editor.]

II. INDIRECT METHODS OF EXPORTING TO ARGENTINA.

It is not the purpose of this report to enter into a detailed discussion of indirect methods of exporting. Yet there are very many persons who take it for granted that unless a particular manufacturing company is large enough and powerful enough to engage in direct exporting, it has no alternative but to confine its efforts to the domestic market. It becomes necessary, therefore, to point out that there are many strong houses in New York and other seaports of the United States organized expressly to take care of such foreign business.

Take, for instance, the export commission house. In its pure form such a house merely places orders sent to it by its clients abroad and receives from them a commission for so doing. But most of the export commission houses now engage in a merchant business, buying and selling on their own account. So far as the manufacturer is concerned, there is very little difference between selling goods to an export house in New York for consumption in Argentina and selling them to a wholesaler in New York for consumption in Connecticut. In either case the manufacturer supplies the goods ordered in the best condition he knows how and receives his money immediately. The export house or the wholesaler finds the customers, attends to shipment, and assumes the credit risk. This system of selling abroad has the same advantages, disadvantages, and obligations as distributing through wholesalers at home, and, as any manufacturer knows what they are, further consideration of them here is unnecessary.

If the manufacturer is located at an inland point and feels the need of some one on the spot to represent him in his dealings with such houses as those just mentioned, he has at his disposal in New York a large number of so-called manufacturers' export agents. These men, or firms, do business on terms ranging all the way from a consignment to a merchant basis, and some one can usually be found whose terms will be satisfactory to the manufacturer. When that is done, an exclusive agency agreement for the exportation of the goods is concluded between the parties. It need hardly be mentioned that such a step presupposes as careful consideration and choosing as the manufacturer habitually gives to similar arrangements for his purely domestic business. One of the chief advantages of the manufacturers' export agent is the fact that he is in a position to reach the large number of foreign buyers who come to New York to select the goods they desire.

Many manufacturers doing an indirect export business have found it profitable to assist these distributing agencies by themselves stimu-

lating the demand for their goods in the territory to be exploited. This can be done in three ways, the best results being obtained when all three are used together:

(1) *Advertising*.—Success here requires some idea of what arguments will make the strongest appeal to buyers in Argentina. If no one is available with that knowledge, the New York distributing agency which the manufacturer is seeking to help may be consulted for advice.

(2) *Correspondence*.—Unless the person or firm addressed has indicated a willingness to use English, all correspondence should be in Spanish. If there is not enough of it to justify the employment of a Spanish-speaking person in the office, the correspondence can be translated by some reliable person recommended by the distributing agency. It is important that the sense, rather than the words, of the letter be rendered. These considerations apply with equal force to circular letters and catalogues.

(3) *Travelers*.—The use of travelers in Argentina to stimulate demand may be the most effective, as well as the most expensive, method of accomplishing that end. On account of the high cost, several manufacturers often combine to have one traveler promote their goods. The advantages and disadvantages of such a plan will be discussed in connection with salesmen in direct exporting. Where the object is not to make sales but to stimulate demand, as in this case, care must be taken to refer all inquiries to the regular channels for distribution.

When it comes to actually shipping the goods the American manufacturer who is not in the habit of doing it immediately runs into difficulties. This is where the services of the foreign freight forwarder may be found useful. Most of the domestic express companies have well-equipped departments for this purpose. For a small commission they will supply information as to packing, marking, and billing; will take charge of the shipment at seaboard; and will see that it is delivered in good condition to the Argentine buyer. It goes without saying that where a foreign freight forwarder is employed for this purpose all instructions as to packing, marking, and billing must be faithfully carried out; the only reason for taking advantage of this service is the fact that the forwarder is familiar with the details of shipment to Argentina, while the manufacturer is not. The same applies to instructions given by a New York export house.

III. DIRECT METHODS OF EXPORTING TO ARGENTINA.

The chief advantage of direct exporting over indirect is that it brings the center of interest nearer the buyer and consequently tends

to give greater satisfaction and to increase sales. Its disadvantages are its greater cost and the fact that a few serious blunders may permanently ruin the market for the goods sought to be sold. This applies to the exportation of manufactured products the world over, not alone to Argentina.

The first possibility for the manufacturer is to have his agents in Buenos Aires, rather than in New York. This may be done on either a commission or a merchant basis. If an Argentine house is chosen, care should be taken that it is not also the agent for a competing line of goods manufactured in its home country. In that case, of course, the American manufacturer would be foolish to expect his goods to be pushed as vigorously as those of his competitor, a situation best guarded against by means of an exclusive agency contract. When the manufacturer, after very careful consideration, has finally arranged with the importing house—either European or Argentine—which is to represent him, he should leave to it the filling of orders from interior points. This does not prevent his helping to stimulate the demand in any of the ways already mentioned.

If the prospective business seems to warrant the expense, the manufacturer may establish a branch office in Buenos Aires. Such a branch would sell to the same people, and probably on the same terms, as would the agent just discussed; but it would have a closer relation to the home office, and could more effectively carry out the policies of the company. As it would not have other lines with an established sale to swell receipts, it would usually be a losing venture for a period of years, and should not be undertaken unless the prospects have been found on thorough investigation to be very good.

Finally, traveling salesmen, reporting direct to the home office and taking orders from wholesalers or retailers throughout Argentina, may be employed. The following considerations with respect to salesmen apply equally to anyone representing the manufacturer in Argentina, viz, the staff of a branch office, the importing house chosen as agent, or the travelers whose mission is merely to stimulate orders to be filled through indirect channels.

(1) The manufacturer comes into personal contact with his customers only through his representatives. If they are the right kind, the results will probably appear in a satisfactory, if not a surprising, volume of sales; if they are the wrong kind, the manufacturer's reputation may be ruined for a generation. These things are important in the United States; they are even more important in Argentina. The manufacturer will suffer in dollars and cents if he sends a representative who can not be introduced into polite society, who adopts a patronizing attitude toward his customers, or who indulges in sharp practice under the impression that he is benefiting his principal.

(2) In order to accomplish anything worth while, there must be the fullest confidence on both sides, which implies that when the representative makes recommendations looking toward any changes in policy, or even in the goods themselves, the manufacturer should be very sure of his ground before turning them down. For it may be assumed that any manufacturer who has gone so far as to choose or send a representative for the Argentine market is seriously anxious to succeed there and is willing to make any reasonable changes to accomplish that end. From this may be seen the extreme importance of choosing a representative who can be trusted to the fullest extent, and then giving him a chance to do his best work without being molested by home advice from anyone whose experience of the Argentine is less extensive than his own.

(3) Another quality that is absolutely essential in any representative, whether agent, salesman, or traveler, is thorough acquaintance with both the goods and the market. It is a generally accepted principle at home that a satisfied customer is the best advertisement, and the principle is every bit as true in Argentina. It does not tend to satisfy a customer to sell him an article which is physically incapable of fulfilling the ends to which he proposes to put it; nor does trying to sell him an article totally unfit for use in his country. Several cases have been brought to our attention of importers who have come all the way from Argentina to procure goods which they knew were manufactured by American firms, but which could not be obtained through the accredited representatives of those firms in their country. Obviously, they would not take this trouble if corresponding goods could, for the time being, be obtained from any other source. While a knowledge of the Spanish language is of very great importance, it can not take the place of familiarity with the goods and the market.

(4) Once a manufacturer has his representatives in Argentina, it becomes necessary for them to report to someone in the home office who is in a position to coördinate the demands of selling with those of production. It has already been pointed out that it will require one of the very best men obtainable to do full justice to the Argentine market as a representative on the spot. Such being the case, it is extremely important that his judgment be not overruled by anyone in the home office who knows less about selling in Argentina than he does. The responsible person at home should certainly be an officer of the company, and should, if possible, actually have visited South America. Of course, not all firms will be able to start with any such system as this, but they should nevertheless attempt to reach such a situation at the earliest possible date in order to obtain the best possible results.

The decision to embark in direct exporting involves certain factors with which the manufacturer is but little concerned in indirect exporting. In the first place, it is fatal to expect success if orders from the representative are ever turned down on the ground that the mill is already sold up on home orders. No agent or salesman can build up a permanently remunerative trade for an article if he runs the risk of having his repeat orders refused whenever there is a boom in the home market. In other words, a concern engaging in direct exporting must give up the idea once and for all that Argentina is a convenient place to dispose of surplus production. Certainly, an American business man who had gone to the trouble and expense of creating a market for a particular brand of foreign goods and then found his repeat orders arbitrarily refused, would never again push those goods. This is one of the things to which the manufacturer who wants the trade must make up his mind.

In direct exporting also the question of payment assumes a more complicated form. Owing to the great distance from New York and the practice of paying the manufacturer's 90 days' sight draft on the buyer with another 90 days' sight draft on London, the whole transaction is not ordinarily completed in less than 240 days. During the war a good deal of business has been done on terms involving payment of the seller's draft by a sight draft on New York, but even that requires 150 days for completion. Yet this does not mean that the manufacturer has to wait all that time for his money. Far from it. He can take his draft with documents attached to a bank in New York having correspondents in Buenos Aires and London and get his cash immediately. The bank will make certain charges to cover collection and interest, which normally amount to about 2 per cent of the sum involved. In practice, the manufacturer usually protects himself by adding $2\frac{1}{2}$ per cent to the amount of his invoice and drawing his draft for the total. The net result is that the manufacturer gets his money immediately, while the importer gets the credit he desires and pays the charges made by the bank for its service in holding the bills until due. Of course, if the customer fails to pay the draft at maturity, the manufacturer will be called upon to reimburse the bank. To guard against such occurrences, however, the manufacturer has available the full credit information on Argentine houses obtainable from the various credit agencies, as well as the private advices of his own representative.

One other factor in this connection should be noticed. In response to the desire of many manufacturers to engage in foreign trade without the heavy expense and risk of individual direct effort, the Webb bill, modifying the anti-trust laws so as to permit formation of coöperative export associations, has been passed by the House of Representatives, and is now (September, 1917) awaiting action by

the Senate. It has the indorsement of the administration. Its principle has likewise been indorsed by four National Foreign Trade Conventions and by a referendum of the Chamber of Commerce of the United States.

IV. ADDITIONAL FACTORS OF MUTUAL ADVANTAGE.

There are two factors which are usually beyond the control of the exporter, but which, by intelligent effort on the part of other American business men or of the Government, can be made extremely helpful to him, while at the same time helping the Argentinians by supplying additional facilities which are greatly needed. These factors have to do with shipping and with investment.

So long as the goods shipped from this country to Argentina did not compete with those shipped from the European countries in which the steamship lines were owned, there were few complaints of discrimination in rates, though the service from Europe has always been both faster and more frequent. This has left us at a disadvantage, because of the slow and unreliable postal communication, but mainly through the fact that merchants handling American goods had to have a larger capital tied up in stocks to last them until the arrival of the next steamer. And with the rigid economic measures now being adopted by the great European nations, it is hardly likely that their shipping companies will be allowed to transport our goods on even terms, if we show any signs of capturing their markets. Even now there are instances where the Buenos Aires office of an American firm has been buying its goods from the London office of the same firm rather than from the home office, because it could obtain vastly superior freight service from London. With the end of the war and the revival of competition from Europe, some other way will have to be found.

Until recently the establishment of American steamship lines to Argentina has been discouraged by the scarcity of return cargoes; but in the last three years, as already shown, the balance has run heavily the other way, and there has been a considerable increase in the number of American ships on this route. A peculiar difficulty arises from the lack of coal in South America. Hence, all steamers have to carry enough fuel to take them down and as far back as some coaling station in the West Indies, usually Trinidad or Barbados. This situation normally affects steamers of all nationalities equally, but during the present war it has become a serious problem for American exporters. The difficulty might be overcome by the establishment of a coaling station in Porto Rico or the newly acquired Virgin Islands. Argentina, being farther from the consuming centers of Western Europe, has suffered more from the shipping famine

than has the United States, and is eagerly hoping for relief through the provision of American ships.

The second way in which we can benefit both the Argentinians and ourselves is by investing capital in their country. In this regard England holds the commanding position, having financed most of the railways and many of the public utilities and private enterprises of the land. But the demands of the war have largely interrupted the supply of capital and checked the development of the country, and doubtless will continue to do so for some time to come.

Now, there are two main classes of consumers in Argentina: the Argentinians themselves, and the foreign-owned corporations domiciled in Argentina. The former class is reached for the most part through European import houses, which normally buy in their home markets, but American houses are steadily increasing their share of the trade. With the cessation of imports from Germany through the port of Genoa early in 1915, and the reduction in imports from France and England due to the war, many European houses in Argentina have been forced for the first time to seek supplies in this country. If these newly introduced American articles eventually reach and satisfy the native Argentinian, he is likely to create a "consumer demand" for them after the war, which will make it to the advantage of the European importers to continue to handle them, as they already do American harvesting machinery—otherwise, they will probably revert to their former sources of supply.

On the other hand, those newly-introduced American articles which eventually reach a European-owned corporation, even though satisfactory, are likely to be discarded as soon as the mother country is once more able to supply them—this because the boards of directors of such companies are largely composed of Europeans, who naturally give the preference to their nationals when ordering supplies. The following is a case in point: A United States company had built a power plant near Córdoba which contained exclusively United States machinery; a few years later the same company built another plant; but in the meantime the control had passed to Englishmen, and the machinery in it was exclusively British. One of the unexpected effects of the war has been to make us more and more able to spare capital for investment in foreign lands, and the wise use of as much as finds its way to Argentina should allow that country to resume its interrupted development without waiting for the reconstruction of Europe.

V. SUMMARY.

The conclusions of this report may be summarized as follows:

I. In the last few years Argentina has been assuming a place of greater importance as a source of supply for many staple products

which are needed in this country. In return it offers an attractive market for a large variety of our manufactured goods, if the problem is approached in the right way.

II. It frequently happens that it is inadvisable for a manufacturer to undertake direct exporting. In such cases, after it has been ascertained that the particular product is adapted to the Argentine market, the existing means of handling such business may be used to advantage.

III. No manufacturer should undertake to do his exporting to Argentina direct without being ready to apply to the problem the same careful attention and good business judgment that have made him successful at home. Without such a personal interest in his Argentine trade, the possibilities of the market can not be fully realized.

IV. The commercial and financial relations between the United States and Argentina can be further strengthened to their mutual advantage by the use of United States ships, and especially of United States capital, to help develop the resources of the "Great Republic of the South."

SOURCES OF INFORMATION.

In addition to the first-hand information acquired while in Argentina, the following sources have been used for much of the information obtained in the report:

Dollar, Capt. Robert: *How to Obtain Foreign Trade*. New York, Official Report National Foreign Trade Convention, 1914.

Duval, G. L.: *The Relation of the Merchant to Import and Export Trade*. New York, Official Report National Foreign Trade Convention, 1914.

Farrell, J. A.: *The War and South American Trade*. New York, National Foreign Trade Council, Bulletin No. 1, 1914. (Out of print.)

Hough, B. O.: *Practical Exporting*. New York, American Exporter, 1915.

Filsinger, E. B.: *Exporting to Latin America*. New York, D. Appleton & Co., 1916.

Business Training Corporation: *Course in Foreign Trade*. New York, Business Training Corporation, 1916.

The commission respectfully submits to you and to the Latin American Return Visit Committee the material which it has gathered, and indulges in the hope that study of the facts set forth here and elsewhere will stimulate the business community of the United States to address itself with increased vigor to the promotion of trade relations between Argentina and the United States.

Respectfully,

OWEN GATHRIGHT, *Chairman*.

JULY 1, 1917.

APPENDIX.

NOTES ON LEATHER, HIDES, AND RELATED INDUSTRIES IN ARGENTINA.

[Prepared by Owen Gathright, chairman of the return visit party for Argentina.]

So many, varied, and increasing have been the demands and the drains upon the basic supplies of materials entering into the production of leather that prices have soared high, and much ingenuity and capital have been expended in efforts to reduce cost and time of production. It can not be said that these efforts have uniformly resulted in the production of a better or even as good an article of leather as of old.

It is a fact, notably in the United States, that the supply of cattle, and, therefore, the supply of hides, has not kept pace with the steady increase in population with its consequent larger demand for leather for all the varied domestic and industrial uses and purposes to which it has long been applied.

It may safely be said, I believe, that no raw basic material used in such quantities as hides of cattle, and so necessary to supply the needs of the human family, has, under normal conditions of trade, advanced so steadily and greatly in a given time. The green hide of a Chicago or Argentine packer steer with its offal of flesh, hair, salt, and tail, now brings five or six times as much per pound in the States as in the eighties, and sells for twice the price per pound that finished first-class thoroughly bark-tanned harness leather sold for in the eighties. The end is not yet reached in prices, unless intelligent and scientific means be taken to conserve and use economically not only hides and skins, but the valuable tanning and currying materials that enter into the manufacture of good leather. I would place emphasis upon "good" leather, for it is little short of criminal to kill the life and service of a good hide in the tanning, either by quick processes in order to shorten the time, or by the introduction of salts or other mineral substances to add weight to the leather.

Long and exhaustive tests by the War Department of the United States Government, through the Quartermaster's and Ordnance Departments, have demonstrated the superiority of bark-tanned leather for service as required in the military equipment of our Army, in shoes (particularly for the soles), harness, saddles, etc., preference being given to oak-bark tannage, particularly because it resists water or dampness better than other tannages, and, therefore, is naturally longer lived, and not as liable to disintegration from the effects of the ment of American banks or branches, and there is room for more of these.

TANNING MATERIALS.

Argentina now occupies the position of being the world's largest exporter of hides and tanning materials, from which the United States draws her greatest outside supply.

Next to the hide (or skin), the most important raw material in the making of leather—good leather—is one that produces the tannin. The two chief materials of the United States for this purpose are, or have been, oak bark and hemlock bark, the oak having been longer used, and generally conceded the best for producing leather of superior quality and durability. That the supply of these barks, particularly the oak, has been rapidly approaching a condition when it would not, at any price, be adequate to meet the requirements of the tanning industry, has recently and repeatedly been claimed. Like conditions obtain in the great tanning countries of Europe, probably more acutely than in our country, and they have cast about for the best sources of supply from other countries. What do we find as the result of this search for new and

reliable tanning materials? The British capitalist who had found his many hundred millions invested in Argentina railroads, docks, lighting plants, and other utilities, to pay him well, and the less wealthy, more scientific German, backed by financial interests allied to the tanning industry, began some years ago an aggressive development of the quebracho wood and tanning extract industry in Argentina, which in a comparatively short time has grown to remarkable proportions and, as figures show, with profitable results to the investors. There are some eight or ten large companies engaged in the business of selling quebracho logs to be sawed and ground up and rendered into liquid, or solid tanning extract, very much as syrup or sugar is made from cane, or as maple syrup, or sugar, in the States is made by boiling the sap, or wood extract down into a liquid form, or into solid hard cakes, having very much the appearance of rosin, or asphalt. Not all these companies make the quebracho tanning extracts; the logs are sold largely to Germany, England, and other foreign countries, and to an extent to the United States, to be made into the extract. There is a large sale of the smaller quebracho timber for beams, posts, and firewood, but the few companies that have manufactured the extract have built up a remarkable business. Through the courtesy of the management (Mr. Gustavo Brandeis, administrator general) and from the report of the directors of the Forestal Land, Timber & Railway Co. (Ltd.), the largest of these companies, some interesting figures are given on the showing of its business for the years ending December 31, 1914 and 1915. We submit also, from other sources, some salient figures as to this industry. The Forestal Co., said to own some 5,000,000 acres of timbered pasture and agricultural land in the Province of Santa Fé, is also a large breeder of cattle. Its home office and sales headquarters are in London, but before the war the selling agency of the company was at Hamburg. On the outbreak of the war the two German directors were removed from the board, as was the German manager in Buenos Aires.

The Forestal has a capital of £3,091,099, or about \$15,000,000, half in preference and half in ordinary shares of £1 each, to use the British term. Preference shares are entitled to 6 per cent cumulative dividend and 25 per cent of the surplus profits available for dividends, while ordinary shares are entitled to 75 per cent of the surplus profits available for dividends. Of the above stock 193,300 shares each preference and ordinary were sold in 1914 at £2 and £3 per share, respectively, or a premium of 100 per cent for preference and 200 per cent for ordinary shares, the total premium received amounting to £579,900, or \$2,750,000. These additional shares, or their proceeds, were used for the acquisition of the assets of the New York Tanning Extract Co. and the Argentine Quebracho Co. The properties of the Argentine company are now included in the item of "Freehold timber and pastoral lands, factories, steamers," etc., of the Forestal Co., which item on December 31, 1914, amounted to £4,251,890, or over \$20,000,000. The assets of the Forestal Co., in round figures, are:

Assets.	Pounds sterling.	United States equivalent.
Freehold timber lands, factories, steamers, etc.....	4,251,890	\$21,000,000
Stock of extract and felled timber.....	930,931	4,500,000
Stocks of stores and materials.....	248,663	1,180,000
Holdings in associated undertakings and other investments.....	540,796	2,500,000
Live stock.....	521,833	2,500,000
Sundry debts due the company, bills receivable, advances, etc.....	818,282	3,900,000
Cash at banks and on hand.....	317,945	1,500,000
Total assets, approximate.....	11,890,270	57,250,000

In addition to the preferred and ordinary shares outstanding, there are two issues of 5 per cent mortgage bonds of £1,200,000 each.

The factory and real estate in New York acquired from the New York Tanning Extract Co. were incorporated into a new American company entitled "New York Quebracho Extract Co.," the shares and bonds of which, owned by the Forestal Co., are included in the item of "Holdings in associated undertakings and other investments" on the books of the company.

Many most interesting details are set forth in the report of the directors presented to the ninth annual general meeting of the Forestal Co., at London June 18, 1915 (Baron Emile D'Erlanger, chairman), and in the 31-page proceedings of that meeting, from which I quote briefly with the object of setting before our people facts as to the importance of the quebracho wood and extract business, not alone to the great tanning industry of the United States but as a field for the profitable investment of American capital.

The report states:

"The outbreak of the war caused serious dislocation of the company's affairs for a few months when all but two of the extract factories had to be closed down, and the sales of timber to Europe were almost completely stopped. These conditions, of course, adversely affected the results for 1914. However, since the beginning of the current year (1915) the factories have been working to their fullest capacity. The results so far obtained (June, 1915) justify the anticipation that the profits for 1915 will exceed those of any previous year. It is most gratifying to be able to place before you so strong a balance sheet, however, and I am glad to be able to say that a balance sheet to June 30, 1915, instead of to December 31, 1914, would reveal a stronger position still. [Applause.]"

The results for 1914, that had been "seriously affected by the war," show: Fixed assets, £4,251,000 December, 1914, against £3,436,000 December, 1913, an increase of £815,000, or nearly \$4,000,000—this in the face of the fact that, in the language of the report:

"We have deleted from our accounts the sum of £405,000 of good will, included in fixed assets last year. When we purchased the Argentine Forestal Co. and turned it into an English company we had to pay £405,000 for good will. It is indisputable that the good will is worth a great deal more than £405,000, nevertheless, we thought it was a good thing to avail ourselves of the premium realized on the shares under the American contract (£579,921) and delete (charge to profit and loss) this sum from our balance sheet."

This is unquestionably a strong position.

"Holdings in associated companies December, 1913, £163,000; December, 1914, £540,000. The addition of £377,000 is due to new holdings in the New York Quebracho Extract Co., and to the bonds we hold of the Province of Santa Fé. Live stock, December, 1913, £420,000; December, 1914, £529,000; valuation made on the same principle. Total of liquid assets, live stock, extract, felled timber, etc., of £2,845,000 could readily be sold. Reserve, in round figures, is £740,000, all invested in the business of the company. Depreciation account, composed of sums set aside out of profits year by year, amounts to £491,000."

Nearly \$2,400,000 of profits "gleaned out of the woods" and set aside for depreciation speak eloquently of profits that must have gone into dividends to satisfy that hungry mortal, the stockholder.

"Profit on trading, dividends from associated undertakings, and interest £614,880" (nearly \$3,000,000). On this point the report says:

"Not as good as we should have liked to put before you, but it would be most ungrateful to grumble at a profit and loss account which shows such a profit

in a year of stress and duress like that through which we have passed. For eight months of the year prices ruled lower than ever before."

Quebracho extract in June, 1914, was \$62 to \$63 a ton gold in Buenos Aires, and in June, 1916, about \$235 to \$245 per ton gold, though the logs were quoted at \$12.75 ton gold in June, 1914, and only \$15 a ton in June, 1916, in Argentina. It was stated in Argentina that at June, 1916, price of quebracho logs, about \$15 a ton gold, the extract could be made for \$80 or \$90 a ton. It is claimed that 4 tons of logs will produce a ton of the extract.

From the "not good profit" in \$60 to \$80 a ton quebracho extract in 1914 the Forestal paid 8 per cent on preferred shares, 6 per cent on ordinary shares, added £117,500 (\$550,000) to its generous depreciation account and £26,500 to its reserve account.

A synopsis of the results of the Forestal Co.'s operations for the year 1915, obtained recently, shows a trading profit of £1,281,299 as compared with £614,880 for 1914, or over 100 per cent increase in profit, and the chairman of the shareholders' meeting, London, June 16, 1916, gave them good reason to hope that the extremely satisfactory results for 1915 "would be greatly surpassed during 1916."

After deducting London charges, and debenture interest from the large trading profit, and setting aside £143,600 for depreciation account, now totaling £634,170, adding £33,600 to reserve, making it total 25 per cent of the paid-up capital, a net profit of £900,947 (\$4,300,000) was left, nearly four times the net profit of 1914 after similar deductions. Of this, £200,000 was set aside for excess profit duty, income tax, war, and other contingencies, £463,000 paid in dividends, 12 per cent on preferred, and 18 per cent on ordinary shares; £200,000 placed to special reserve; £37,000 added to the "carry forward" to the credit of both classes of shares.

EXPORTATION OF QUEBRACHO EXTRACT AND LOGS FROM ARGENTINA.

The exportation of quebracho tanning extract from Argentina since 1900, six years before the Forestal Co. was formed, increased from a little less than 6,000 tons that year to 113,600 tons in 1915, worth approximately \$20,000,000, of which 35,400 tons came to the United States. The falling off of extract exportation into the United States in 1915 from 1914 may have been due to the large importation of logs and the manufacture of the extract in this country, as the United States imported from Argentina 66,000 tons of quebracho logs in 1914 and 96,000 tons in 1915, of total exportations of 291,000 and 195,000 tons of logs for the respective years. The exportation of quebracho logs for the manufacture of the extract was 240,000 tons in 1900, fell back to 200,000 in 1903, rose to 438,000 tons in 1911 (the record year, nearly 100,000 tons in excess of any previous year), fell back to 279,000 tons in 1912, and rose to 342,000 tons in 1913, the second largest year on record. Of this large 1913 exportation of logs the year before the war Germany took 129,364 tons, or nearly 38 per cent of the whole—more than the next two countries combined, namely, Russia 62,665 tons, and the United States, which took 54,682 tons. The exportation of logs for 1914 was 291,000 tons; for 1915 it was 195,000 tons, of which the United States took 96,000 tons, or nearly 50 per cent of all exported in that year.

QUEBRACHO EXTRACT, QUEBRACHO LOGS, AND SMALLER WOOD.

It is estimated that four tons of quebracho logs will make one ton of the tanning extract.

Quebracho wood (Colorado or red, from which tanning extract is made) is very hard and heavy, its specific gravity being 1.27 as against 1.18 for ebony,

0.77 to 0.90 for English oak, 0.70 for ash, 0.55 for elm, and 0.45 for white pine, and naturally yields a large percentage of extract. It is said to yield in weight fully 25 per cent of solid tanning extract, and the by-products are very valuable, particularly in eastern Argentina, the center of greatest population, where timber of all kinds is very scarce. In fact, quebracho beams for railroad ties and other purposes bring higher prices per ton than the logs used for manufacture of extract, while the still smaller timber is carefully graded into three or four sizes and lengths for posts, for which there is and will continue to be great demand for wire fences, etc. All defective quebracho, offal, branches of trees, etc., find ready sale as fuel, as our West Virginia and similar \$3 to \$4 a ton coal has brought \$30 to \$40 a ton in Argentina. It is claimed by experts that $2\frac{1}{2}$ tons of quebracho as fuel equals 1 ton of coal. Our committee, on its trip of observation and investigation through interior provinces, saw practical demonstrations of the use of quebracho wood (offal) as an effective and economical fuel in the English-owned power plant of the Santa Fé street-car system, as up to date, clean, and complete a plant, for its purpose, as is to be found anywhere. A large stock of coal was on hand for any emergencies, but great stacks of quebracho carefully piled were being fed the furnaces. Mr. Eugene Betts and his assistant, Mr. Lovelli, who, under the effective arrangements made by Dr. Albert Hale for our trip to the interior, extended us all the courtesies and practical assistance possible, took us over their railway system and power plant, and through the legislative building to call on the governor of the Province of Santa Fé; and, through the courtesy of the chief of the department of docks, who gave us the use of his launch, accompanied us on a sail of inspection of the docks, where we saw a ship loading a cargo of quebracho extract exclusively, worth \$1,600,000, destined for far-away Russia. We landed and looked partly through an uncompleted plant being erected for the manufacture of dyes from wood, in nearly all colors, it was claimed. The interesting machinery for "clawing" the logs into fine shavings being similar to that used in the manufacture of tanning extract.

Santa Fé is the chief port for export of quebracho logs and vies with Buenos Aires in export of the extract. The latter is also exported from Rosario and Collastina.

QUEBRACHO TANNED LEATHER.

Our observations and limited investigation of the tannage of leather in Argentina by the use of quebracho lead to the conclusion that tanners there who use only the extract from that wood do not get as good results in the finish, and probably not in quality of leather, as those tanners in the United States who combine, or blend, quebracho extract with oak, hemlock, or other tanning ingredients.

We inspected at a large plant at Buenos Aires the process of tanning leather by the use of the quebracho wood ground into a substance very much like coarse sawdust or hominy, this ground wood being spread upon the hide after it had been soaked, dehaired, fleshed, and laid in the tanning vat. Layers of hide with ground quebracho alternating between until the vat was properly filled, when water of proper temperature or liquor would be let in, and, as by the "old fashioned bark-tanned" process used largely in the United States, the hides were allowed to remain for four or five to six months, and sometimes longer, until the tanning had been extracted from the wood and thoroughly penetrated and tanned the hides. This tannery utilized thoroughly every particle of the quebracho log, which was sawed into proper lengths, split to thicknesses of 3 or 4 inches, and fed into a powerful grinder, similar to our hominy mill. After the tannin had been thoroughly extracted from the dust it was

fed, wet, into the furnace, which with the powerful draft of a tall concrete stack seemed to make of it as good fuel as dry wood or coal. This tannery spent not a dollar annually for any other fuel.

It is of interest to note that only the body or wood of quebracho timber is used and ground up in tanning, the bark being discarded; while the reverse is the case in oak and hemlock tannages, for which only the bark is carefully stripped from the tree and ground to the proper substance for "bark tanning," or is rendered into extract. Owing to the growing scarcity of tan bark in the United States, particularly of chestnut-oak, the wood has been, to a limited extent, used in making a tanning extract, said to be of inferior quality to the extract from the bark.

TRIP OF OBSERVATION AND INVESTIGATION INTO INTERIOR PROVINCES OF ARGENTINA.

Rosario.—In the well-planned but necessarily limited trip of observation and investigation to some of the interior Provinces of Argentina laid out for us by Dr. Hale, we visited Rosario, on the River Paraná, a city of 250,000 population, second in size after Buenos Aires. We were met by Mr. William Dawson, jr., United States consul, who, after luncheon at the Strangers' Club, conducted us through an inspection of the extensive port works, the Bolsa de Comercio, and other places of commercial interest and importance. Rosario is an important railroad center. The workshops of the Central Argentine Railroad, British owned, are located here, in which are manufactured not only equipment for its own use, but for tramways. Rosario is a thriving, growing business center, a field for United States manufacturers in many lines, but not extensively cultivated as yet. The huge hardware and kindred goods establishment of Chiesa Brothers, with a battery of stores and warehouses that rival some of the famous plants in our country, is located here. The owners are Italian. The most courteous general manager of the business, Mr. E. J. Rosenberg, gave liberally of time in showing us through the sample and sales departments. Practically all classes of heavy and shelf and builder's hardware, tools, cutlery, iron, wire, iron pipe, chains, cultivation implements, machinery, house furnishing goods, furniture, pumps, sewing machines, etc., are handled. Here and there were to be seen articles of United States manufacture, but not conspicuous in number or variety. This house is the agent at Rosario for the Buenos Aires branch of the National City Bank of New York.

Córdoba.—Córdoba, capital of the Province of Córdoba, population about 110,000, some 12 hours from Buenos Aires by the Central Argentina Railroad, commands a somewhat unique position of distinction in the cities of Argentina. It is called the Greenwich of Argentina for here is located their famous national observatory which sets the time for the Republic. We were greatly pleased to find that it was in the efficient hands of a citizen of the United States, Dr. Carlos Dillon Perrine, formerly of Lick Observatory.

A distinction associated with Córdoba is that its national university is one of the two or three oldest in the Western Hemisphere. Founded in 1615, it is some years older than Harvard, and is the most noted educational institution in Argentina.

Opportunity for the introduction of general lines of United States manufactures exists at Córdoba, as at all other cities visited, to a greater or less degree, if manufacturers will give proper study to particular requirements, will furnish what is desired, not always necessarily the cheapest, will give reasonable credit, and treat the trade with patient courtesy and fairness.

Quebracho grows near Córdoba and logs and extract are marketed to some extent from this point. There was brought to our attention the fact that great

deposits of white, mottled, and colored marble of superior quality lie in the hills near Córdoba.

SUMMARY AS TO LEATHER, HARNESS, SADDLERY, SHOES, ETC.

Argentina produces, under favorable conditions, great quantities of raw materials for the manufacture of leather, namely, hides, skins, and quebracho. of which materials the United States imports enormously. Therefore her manufacturers in these lines, protected by a high tariff, make it an uphill business for United States manufacturers to export these goods into that country or into Brazil, particularly the cheaper and plainer manufactures. They do not yet possess the skill to produce as finely finished leathers as in the United States, particularly for better classes of shoes, riding saddles, etc., and there is room for export trade in these lines. In fact, this country is supplying both Argentina and Brazil with great quantities of upper leather, and a number of standard makes of North American shoes now have a foothold.

CONCLUDING NOTES.

1. It is but repetition to say that the transportation facilities between the United States, Argentina, and other South American countries are wholly inadequate and far from favorable to the interests of the United States importer and exporter, largely because the ships are foreign owned.

2. Our financial relations have been given a healthy impetus by the establishment of American banks or branches, and there is room for more of these.

3. The essentials necessary for our citizens in obtaining South American trade, to quote an experienced banker, are: "(a) Show them the goods. (b) Give them reasonable credit. (c) Treat them fairly. They will be permanent customers."

REPORT OF FINANCIAL AND COMMERCIAL COMMISSION TO URUGUAY AND PARAGUAY.

Hon. W. G. McADOO,
Secretary of the Treasury,
Washington, D. C.

SIR: The commission appointed to return the visit of the delegates from Uruguay to the Pan American Financial Congress held in Washington from May 24 to 29, 1915, as finally organized, was composed of Mr. William E. Hinchliff, Rockford, Ill.; Mr. Thomas A. Crimmins, of Boston, Mass.; Mr. Henry L. Janes, of Montevideo, Uruguay; Mr. Emerson Hinchliff, of Buenos Aires, Argentina; and the undersigned, Mr. Arthur H. Titus, of New York, who was elected chairman of the committee.

The gentlemen comprising the committee had duly received their commissions to act as members, and those who were not already here arrived in time to permit of the party leaving Buenos Aires, March 19, 1916, for Montevideo. We advised the Uruguayan committee of the date of our intended arrival, and when we reached Montevideo early in the morning of March 20 we were met by Dr. Gabriel Terra, chairman of the Uruguayan section of the International High Commission; Mr. H. F. Arthur Schoenfeld, chargé d'affaires of the United States legation; Col. Gamarra, military aide-de-camp to the minister of finance; and other prominent persons.

The committee that had been appointed by the Uruguayan Government to receive and entertain our committee was made up as follows: Dr. Gabriel Terra, chairman; the president of the national chamber of commerce; the president of the national chamber of industries; the president of the mercantile chamber of native products; the president of the association for the protection of commerce; the president of the Bank of the Republic; the president of the State insurance bank; the president of the Mortgage Bank; the manager of the state light and power plant; the president of the board of administration of the port; the president of the Northern Railway & Tramway Co.; the manager of the local branch of the National City Bank of New York; the manager of the Midland Railway; the manager of the Eastern Uruguay Railway; the manager of the Montevideo packing plant; Mr. Manuel Sterling, Mr. Charles Shaw, Mr. P. C. Towers, Mr. Aurelio N. Surra Santín, Mr. Jorge

West, Mr. Ernesto O. Crocker, Mr. Ricardo Shaw, Mr. Guillermo Young, jr., Mr. Juan Domingo Lanza, Mr. Eduardo Richard, Mr. Alejandro Shaw, Mr. Carlos Bayne; secretaries, Mr. Leopoldo Hughes and Mr. José Alberto Nicolich; military attachés, Col. A. Gamarra and Lieut. Col. J. Massioti.

Upon landing, and after a cordial exchange of greetings, our commission was escorted through the city and along the new boulevard to the Parque Hotel, in Pocitos, where special provision had been made for our comfort. Later, during the forenoon, we were taken for a ride through the various parks.

At 4 p. m. the members of our commission presented their credentials to, and were formally received by, Dr. Pedro Cosio, the minister of finance, whose remarks of welcome were made in English, as follows:

Ladies and gentlemen, at one of the last sessions celebrated by the Pan American Financial Conference at Washington last May the delegates of Uruguay proposed that the Government of the United States should appoint a delegation of American citizens to return to the Latin Republics the visit that was at that moment being paid by the representatives of the latter to the great Republic of the north.

This idea was accepted by acclamation, and the invitation was thereby formally accepted, and to this is due the visit with which we are now honored.

The European war, which has affected all parts of the world, causing serious economic disturbances, suggested the necessity of America in peace drawing her nations together under the impulse of the community of interests and the harmony of friendly sentiments.

The first step was the conference of 1915 at Washington, and this is being followed by these visits in which the most representative people in commerce and industry become personally acquainted with the countries, the men, and the economic life of Latin America.

After this visit, will come another great exponent of this movement of Pan American concentration. I refer to the conference in Buenos Aires next April of the International High Commission.

Ladies and gentlemen, delegates of the United States, the Government of Uruguay receives you as great friends and has made you acquainted with some of the most conspicuous representatives of our commerce, industry, and banking institutions, who will undertake to show you everything that may be interesting to you.

In the name of the Government I have the pleasure of offering you this proof of sincere friendship. And now allow me to propose the happiness of the American Nation and the health and happiness of the ladies and gentlemen by whom the United States is here represented.

The welcome of the minister of finance was responded to by Mr. W. E. Hinchliff, with a few well-chosen and appreciative remarks. The party then visited the United States Legation, and in the absence of the United States minister was received by Mr. Schoenfeld, chargé d'affaires.

Tuesday, March 21, in the forenoon the party was taken to visit the buildings and grounds of the *instituto de agronomía* (institute

of agriculture), a short distance outside the city. Dr. Enrique Etcheverry, agricultural engineer in charge, showed the party through the institution, explaining its work in a very interesting manner. The college has a four-year course. The students devote the first half of each day to theoretical work and the afternoons to practical work, the last year of the course being spent at the agricultural experiment station.

The party next visited the orphan asylum and hospital. The director, Dr. Vidal y Cuervo, and the directress, Señorita Angélica G. de Alsina, conducted the party through the institution. They had under their charge 420 children of from 4 to 14 years of age, as well as a few older ones. There were 80 infants in care of this hospital, and the institution has supervision over the welfare of some 1,500 small children that it has placed in private families.

In the afternoon a visit was paid to the *lazareto veterinario* (veterinary quarantine and detention station). This institution is in charge of Dr. Banza, veterinary surgeon. An interesting and instructive sight there was some 150 head of fine cattle that were being examined preparatory to their shipment to Brazil, to be used by the Brazilian Government in its breeding farm.

Mr. Alberto Puig, one of the members of the reception committee, took the party to his warehouses, where large quantities of Uruguayan wool were being sorted, baled, weighed, and marked for shipment to the United States.

This was followed by a visit to the Montevideo factory of Messrs. Salvo, Campomar & Co., where local wool was being made up into cloth, blankets, "ponchos," and knitting yarn. We were told that this textile industry has received a great impulse from orders for woolen blankets and "ponchos" from the European Governments during the past two years.

In the evening of March 21, at 8.30 p. m., Mr. Cosio, the minister of finance, gave a formal banquet to the visiting party, to meet 50 or more of the prominent officials and citizens of Uruguay and their wives. Señor Cosio, as host, in his remarks, again addressed the party in English. The response, in behalf of the visiting committee was made by Mr. Arthur H. Titus.

Wednesday, March 22, in the forenoon, the party was taken to the Cabaña Anaya (horse breeding ranch) of Señor Francisco E. Anaya, where some fine race horses, many of them of North American stock, and some excellently appointed stables were seen. Although this establishment was some distance out in the country, good macadam roads were encountered all the way.

During the afternoon the University of Montevideo was visited. This is a very creditable institution, of which the citizens of Uruguay are rightly proud.

Of special interest was the school of commerce and industry, where the director, Dr. Pablo Fontaina, exhibited moving pictures of many phases of the cattle industry—from the ranch to the finished product loaded in a vessel ready to be shipped. A cordial and enthusiastic reception was given the party by the faculty and students.

In the evening of March 22, Mr. and Mrs. Crimmins, who were obliged to return to Buenos Aires, left the party, taking the night boat for that city. Before Mr. Crimmins left, Mr. Titus was elected permanent chairman of the committee, and empowered to act for it in any matters that might come up.

Thursday, March 23, the party was taken in a special train on the Ferrocarril Central del Uruguay (Central Railway of Uruguay) to Puerto Sauce, on the River Plate. The train left Montevideo at 9.30 a. m., arriving in Puerto Sauce at 2 p. m., or, according to Uruguayan railway time tables, in which the 24-hour scheme is used, at 14 o'clock.

The accompanying party, numbering about 25, included Dr. Terra, the chairman of the entertainment committee; Mr. Bayne, president of the railway; Dr. Santiago Rivas, minister of public works; and other prominent persons. The route was through the towns of Piedras, Canelones, Santa Lucía, 25 de Agosto, Rodríguez, San José, Mal Abrigo, Colonia Suiza, and Rosario, all located in a rich and very productive section devoted to agriculture.

In Puerto Sauce the party visited the main woolen textile factory of Salvo, Campomar & Co., in which 450 men were employed. At the time they were working on some uniform-cloth contracts for the French Government.

Another object of interest at Puerto Sauce was a paper mill, through which the party was conducted by the proprietors.

The party left Puerto Sauce at 4 p. m., stopping at Colonia Suiza, where carriages were in waiting to take the guests for a drive through the town.

This trip consumed the entire day. Luncheon and dinner were served on the train by the regular dining-car staff. Montevideo was reached at 10.25 p. m., and the train was run out on the dock alongside the river boat *Ciudad de Montevideo*, on which the committee was to embark for Buenos Aires.

At the dock to bid the party farewell were Señor Cosio, the minister of finance, and other members of the entertainment committee, and prominent persons who had not accompanied the party on the railway trip.

A touching parting attention was the presentation to each of the ladies of the party of a large bouquet of flowers, tied with ribbons in the colors of the two nations, Uruguay and the United States of America.

Each member of the visiting committee was deeply impressed by the cordiality, and the minute desire displayed by each and every member of the entertainment committee and by all other persons whom they met, to make them feel that they were welcome to all the country had to offer.

It is safe to say that each member of the visiting committee was convinced of the value of the exchange of courtesies of this kind in the formation of closer international relations.

Señores José Alberto Nicolich and Leopoldo Hughes, secretaries of the reception committee, and Col. Gamarra, the military aide-de-camp of the minister of finance, were constantly in attendance upon the party.

The accommodation and service provided at the Parque Hotel were excellent, and the entertainment committee had placed a number of automobiles at the disposition of the committee.

While the visit of the committee was of comparatively short duration, and it was therefore impossible to go very fully into the economic, industrial, and commercial features of Uruguay, still it is appropriate to append some statistics indicative of the commercial possibilities of the country.

Uruguay consists of about 72,000 square miles of territory and has a total population of about 1,250,000; the capital city, Montevideo, has a population of about 400,000, or in other words one-third of the total population of the whole country. The estimated wealth of Uruguay is about \$2,000,000,000, approximately distributed as follows:

Agricultural and grazing lands.....	\$1, 200, 000, 000
Montevideo real estate.....	250,000, 000
Capital invested in agriculture.....	60, 000, 000
Capital invested in live stock.....	150, 000, 000
Capital invested in railways.....	70, 000, 000
Capital occupied in other lines of commerce and industry.....	530, 000, 000
Currency in circulation, about.....	40, 000, 000

The public debt of Uruguay is about \$150,000,000, of which there are approximately \$25,000,000 in internal loans and \$125,000,000 borrowed from other countries. Until recently there was very little United States capital in Uruguay; at present, however, there seems to be some interest displayed in this country, noticeably in the development of the meat industry, and in the installation of various public-service and sanitation projects, and there is in Montevideo a branch of the National City Bank of New York. All of these things indicate a greater interest on the part of the citizens of our country. Of course, the principal industry of the Republic is the raising of cattle and sheep. The live-stock census records a total of about

8,000,000 cattle, 25,000,000 sheep, 500,000 horses, and 180,000 hogs. A normal wool crop is worth in Uruguay about \$25,000,000. The volume of cattle slaughtered annually for meat products is approximately \$22,000,000. The agricultural interests are small in comparison to industries mentioned above. An average wheat crop is about 200,000 tons; the average corn crop is about the same, and oats approximately 30,000 tons.

The official figures indicate the exports for 1915 were \$34,979,000, and the imports \$73,290,000, making a total commerce, both in and out, for the year \$108,269,000.

The climate of Uruguay is equable, and the country has wonderfully quick recuperative powers. In some years the lack of rain will cause an almost utter failure of the cereal crops, and cattle will languish and die, this condition continuing perhaps for several months, when suddenly the rain will fall and in a very few days the results will appear in the form of pasturage sufficient to save and fatten the remaining cattle and prevent the complete disaster expected.

Before the outbreak of the present war with Europe, Uruguay's purchases from the United States amounted to about \$500,000 per month, while the last year showed this amount to have doubled. These figures seem impressive, but it must be understood that the increase is largely due to the fact that Uruguay was entirely cut off from German markets which heretofore have supplied goods to the amount of several million dollars per year. Uruguay, for instance, purchased \$2,000,000 worth of sugar yearly from Germany, also large quantities of steel and iron. These are now being bought in the United States, and in considering these figures it must be remembered that imports at the present time, which in normal years meant a vessel tonnage in a port of Montevideo of 12,000,000 tons annually, have been cut in half since the beginning of the war. It does not hold, however, that because of the increase in purchases from the United States the advantage therein obtained by us will be held after the war, for those who have examined the situation will realize that United States citizens have not been as alert as they might have been, and have not succeeded in gaining a market which might have been theirs if properly sought.

The Uruguayan people are very favorably disposed to the United States of America, and often show their preference for our ideas in the management of their schools, public-service systems, etc., and if we had displayed a reasonable amount of energy and tact in seeking and handling the commerce of their country we would have had an opportunity during the past two years that might have netted us great results.

A great portion of the revenue of the nation is obtained through its custom duties, which before the war averaged about \$17,000,000 yearly, whereas this year they will scarcely amount to \$12,000,000. With all this, however, the economic and financial situation is steady and the country is being held well in hand for the expected progress which is inevitable upon the resumption of normal conditions in the world at large.

The soil of Uruguay is capable of being developed into a very important factor in the commerce of the country. Land suitable for agricultural purposes is abundant, and all sorts of grains grow quickly and luxuriantly. However, there is a very nominal land tax in the country which encourages the holding of undeveloped land in very large blocks, and inasmuch as nature provides so quickly the means for feeding cattle and the raising of cattle requires so much less help and labor than the production of grain, the cattle industry predominates and probably will for some years to come. This, of course, somewhat retards the growth of the country and explains why the capital city of Montevideo contains one-third of the total population of the nation.

Business in Montevideo is done very largely on a cash basis; in other words, the purchaser pays cash for almost everything. Bank checks are almost unknown, and the currency of the country, which ordinarily, if checks were used as a paying medium, would be deposited in the banks, now rests in safes and strong boxes of the various merchants and individuals.

The people of Uruguay are exceptionally conservative, proud of their Government and of their position, courteous to the last degree, and most progressive in their desire to have the best of everything in the way of public institutions, utilities, etc. They are well disposed to the United States, and the proper cultivation on our part of that disposition would undoubtedly mean the establishment of a friendly commercial relationship, which would be of great value to our country in our commercial progress which must from now on, as never before, be world-wide in its scope rather than confined to the borders of our own country and domain.

Respectfully submitted for the commission.

A. H. TITUS, *Chairman.*

REPORT OF FINANCIAL AND COMMERCIAL COMMISSION TO BRAZIL.

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

SIR: On July 29, 1916, the members from the United States of the financial and commercial commission appointed by you to visit Brazil in response to an invitation extended by the Latin American delegates to the Pan American Conference, sailed for Brazil. The personnel of the committee sailing from the United States was as follows: Dr. Richard P. Strong of the American International Corporation, *chairman*; Mr. Charles Lyon Chandler, South American agent of the Southern Railway Co., *secretary*; Mr. W. L. Findley, lawyer, of New York City; Dr. Edward F. Stace, president of Stace, Burroughs & Co., of Chicago, Ill.; Mr. Thomas W. Streeter, of the American International Corporation; Mr. Henry C. Ulen, president of Ulen Contracting Co., engaged in important enterprises in Uruguay; Mr. Albert C. Weigel, manager foreign department of Walsh & Weidner Boiler Co. of Chattanooga, Tenn. The members of the commission resident in Río de Janeiro were Mr. W. C. Downs, commercial attaché of the United States at Río de Janeiro; Mr. Louis R. Gray, head of Arbuckle Bros. & Co. in Brazil, and Mr. Frederic Lage, formerly of Brazil and now of William Morris Imbrie & Co., of New York.

The members sailing from New York made a stop at Bahia, Brazil, on August 13, 1916. On August 15 they arrived at Río de Janeiro and were welcomed there by the first secretary of the American Embassy, the president of the American Commercial Club of Río, a delegation of prominent Brazilians, and the remaining members of the committee.

The commission made its headquarters at Río de Janeiro until September 8, 1916. During their stay in Río de Janeiro they had the privilege of meeting men prominent in the political, financial, and business life of Brazil, and they were the recipients of many courtesies extended by the American ambassador, Mr. Morgan, by the Brazilian minister of finance, Senhor Calogeras, by Senhor Manuel Lisboa, director of the Government railways, by local members of the committee, and others. Through the courtesy of the Brazilian Government and Dr. Calogeras, the commission made a trip on a special

train to Bello Horizonte, the capital of the State of Minas Geraes, stopping on the way at important manganese mines at Burnier and visiting the School of Mines at Ouro Preto, the former capital of the State of Minas Geraes. The Brazilian Government also furnished a special train to take the committee from Río de Janeiro to São Paulo at the conclusion of the visit to Río.

In their efforts to carry out their mission the committee was especially indebted to his excellency Edwin V. Morgan, the United States ambassador, who freely gave his time to the members of the committee and brought them in touch with representative Brazilian gentlemen.

On September 8, the members of the committee went to the city of São Paulo, from which important center they made trips to different parts of the State of São Paulo, visiting, among other places, the famous Dumont coffee plantation.

In complying with your request that the members of the committee, after the accomplishment of their mission, should join in a report to the honorable the Secretary of the Treasury, recommending such policies on the part of the Government and urging such activities by business men of the United States as will promote this purpose, your committee would state that in rendering this report it had had in mind the fact that the commercial relations between Brazil and the United States have not been recently inaugurated, and indeed that almost every phase of these relations has been going on for over a century.

It may be recalled that the United States has been buying from and selling to Brazil since as early as 1802. Therefore, in the necessarily brief investigation of this subject by the members of this financial and commercial commission it would, a priori, hardly be expected of them, or within their province, to indicate any startling departure in relation to current trade. In view of these facts the committee has considered it inadvisable to make extensive recommendations regarding new departures, and will confine itself to a few suggestions as to how, in the opinion of its members, several obstacles to our trade with Brazil may perhaps be overcome. However, the mere mention of some of the most important of these obstacles will perhaps suffice for the purpose of this report, since there are already many agencies at work which are conscientiously endeavoring to remedy these defects when brought to their attention.

The trade relations of the United States with Brazil present some distinct features as compared with those between the United States and other South American countries, to which it seems advisable briefly to refer. For one thing, to no other country in South America do we sell so little in proportion to what we buy.

This has been the case for many years, although it is true that the proportion has recently somewhat changed, for, while the nature and amount of our imports from Brazil has become more extensive than formerly, our sales to Brazil have nevertheless increased at a greater rate. Obviously there has been, since the outbreak of the war, an increased demand from Brazil for our goods, but the movement of our manufacturers to take advantage of the check of European exports to South America, in order to introduce our productions more widely and more consistently, apparently has not been as yet as active or as extensive as is necessary for obtaining permanent favorable results of importance. Our manufacturers, on the whole, are apparently learning very slowly the important lesson that if we wish to increase our trade with Brazil we must endeavor to conform more to the customs and wishes of the people and to the standards and usages current in that country, though we are glad to be able to report that in several instances brought to our attention some improvement in this respect has been made. In this connection we believe that every effort should be made to bring the commercial organizations of this country to a realization of the fact that our present system of weights and measures is as injurious to our trade with Brazil as it is with other foreign countries.

WEIGHTS AND MEASURES.

One hears in Brazil, since the outbreak of the war, even more criticism and dissatisfaction at our adherence to the English system of weights and measures, since many merchants in Brazil who formerly have bought in European markets have, for the time being at least, been compelled to import only American goods. Therefore it is recommended that all possible steps be taken to enact the necessary legislation speedily to bring about the adoption of the metric system by the United States.

The commercial banking and shipping phases of our trade relations with Brazil are, when the matter is analyzed, so intricately interwoven that it would render this report less pertinently applicable if they were to be too sharply separated. Therefore they will be treated as much in conjunction as possible with the aim of proposing remedies that will benefit the whole situation rather than only one part thereof.

TRANSPORTATION.

The transportation facilities between the United States and Brazil have been thought in the past to be sufficient for the present volume of business between the two countries, and in fact they are better in proportion than those between the United States and any other South American country. Brazil's import and export trade is not con-

fined, as in Argentina and Uruguay, almost entirely to one central port, which also serves as a distributing center for much of the country. On the contrary, her various ports of Pará, Pernambuco, Bahia, Río de Janeiro, Santos, and Río Grande do Sul, each serve a distinct area, each with almost distinct exports and imports, and with each, as well as with many smaller ports, there is direct and regular communication with the United States. With almost all of these such communications exist under the flags of the two countries. This can not be said of the shipping between any other South American country and the United States. The Lloyd Brasileíro Line on the one hand and the United States and Brazil Steamship Co., in addition to other lines under the flags of other nations, furnish regular passenger and freight transportation facilities.

It is nevertheless exceedingly desirable that a more direct and more speedy passenger service should be secured between Brazil and the United States.

BANKING.

As regards the means of improving banking facilities and financial relations, and also the financing of public and private enterprises, and the stabilization of international exchange between the United States and Brazil, these matters have already been so extensively reported on by the representatives of the Federal Trade Commission and the Department of Commerce that your committee feels it hardly necessary to enter into a detailed discussion of them. The National City Bank, of New York, opened branches in Río de Janeiro, São Paulo, and Santos, possibly the three most important cities of Brazil, for the initiation of United States branch banks. Both the capital city, as well as São Paulo, the leading industrial and business center, had long since needed these essential factors in inter-American commerce. A few days before your committee arrived at Bahia a branch of the National City Bank had been opened there, subordinate to the branch in Río de Janeiro.

It would seem advisable that branches of American banks be also opened in Pará, Pernambuco, and Porto Alegre, and it would appear that such action would not merely be of direct financial benefit to the institution inaugurating it, but would also serve as a direct measure of promoting the commerce and influence of the United States to these cities, and to the States of Brazil dependent on them for their growth and development. In the course of time, following the example of the banks of European countries, many American banking institutions will doubtless enter the Brazilian field, and the competition resulting thereby will serve to increase the financial relations between the two largest American Republics.

COMMERCIAL DISPUTES.

As regards the extent to which commercial disputes now arising may be settled by a system of arbitration between commercial bodies, your committee would recommend the more general adoption of some such agreement as now exists between the Chamber of Commerce of the United States of America and the Bolsa de Comercio of Buenos Aires. Such an agreement might be worked out between the Associação Commercial do R  o de Janeiro, as well as the chambers of commerce of all the more important trading centers of Brazil on the one hand and the Chamber of Commerce of the United States of America on the other.

In the Republic of Brazil the statutory regulation of negotiable instruments is vested in the National Government, and has been exercised in the *Codigo Commercial do Brazil*, enacted by the Federal Congress. A part of this code went into effect in the year 1909 and in its entirety it became operative January 1, 1917.

In the United States of America, in so far as bills of exchange and promissory notes are concerned, this power is exercised by the separate States. Efforts have been made to secure uniform legislation on this subject, and a bill has been prepared for that purpose and submitted to the various State legislatures. This "uniform act" has been adopted by a few of the States. Other States have enacted it after making such changes as were deemed necessary to meet peculiar local conditions, while in many States it has been ignored. After 20 years of effort 44 States of 48 have adopted this model law in some form or other.

There is thus no uniformity of legislation on the subject of bills of exchange and promissory notes in this country, and no standard of comparison by which the differences between the legal regulation of this subject by Brazil and the United States can be gauged.

It may be said, however, that in general principles the laws of the two countries governing this subject are the same. -

The provisions of the Commercial Code of Brazil relating to bills of exchange and promissory notes are embraced in 57 brief sections. They lay down in clear, concise, and comprehensive terms the general rules that are to govern the making, issuing, negotiating, payment, and enforcement of these negotiable instruments. No attempt is made to cover the limitless field of varying circumstances which daily arise in the ordinary transactions of business. In contrast with this the negotiable instruments law, submitted to and already adopted by forty-four of our States, is a voluminous document.

Its aim seems to be to lay down rules to cover every conceivable circumstance, or combination of circumstances, that may arise, and to

point out just what may or may not be done in every unusual or extraordinary case. A great variety of things are permitted or forbidden which are not mentioned in the Brazilian negotiable instruments law. But these differences are in matters of detail, the underlying principles governing the subject being substantially the same in both enactments. In the matter of bills of lading the Commercial Code of Brazil follows a course similar to that adopted in dealing with bills of exchange and promissory notes. In a few brief sections general rules are prescribed, with little attempt to anticipate or provide for unusual or exceptional cases.

BILLS OF LADING.

The Congress of the United States, during the session of 1916, passed a bills of lading act, applicable to interstate and foreign business, which was to take effect on January 1, 1917. This law, while much more voluminous than the Brazilian statute on the same subject, does not greatly differ from the latter, except in being more exact and specific in matters of detail. In this connection the committee acknowledges the valuable assistance rendered to it by Dr. Francisco de Castro, jr., of Río de Janeiro, a member of the Brazilian bar.

Since the question of improving the parcel-post and money-order systems and the reduction of postal rates is now being studied by the Hon. Robert F. Maddox, chief of the Division of Foreign Mails of the Post Office Department of the United States, who is now traveling in South America for this purpose, your committee would merely recommend that the same reasons which have led our Post Office Department to conclude a 2-cent postal arrangement with British Guiana might be applied with even greater force to the negotiations of a postal treaty or agreement with Brazil by which a similar agreement could be put in force with that country.

NEWS SERVICE.

As regards the improvement of cable service and the reduction of cable rates, the secretary of your committee was informed by Mr. Roy W. Howard, the representative of the United Press, a United States corporation, that the cable rates from Great Britain to Brazil were half those from the United States to Brazil, which, apart from other considerations, rendered it almost impossible to publish any large amount of news matter from the United States in the Brazilian press, such as is received daily in Buenos Aires by *La Prensa* and *La Nación* of that city. A direct cable between the United States and Brazil is to be greatly desired.

COFFEE.

With reference to creating in the United States dependable and reliable markets for the commodities of Brazil, coffee being the principal commodity of Brazil naturally occupies the most prominent position in the thoughts not only of the producer of the article but also of the Government of the country. Much has been written about it, and it is unnecessary to make any mention in this report of how coffee is grown and marketed, that being generally very well understood.

It appears that much more care is now being given than heretofore to the planting and care of the tree, to the preparation of coffee after gathering, and to the separation of the different qualities, which, together with the fact of the United States Government prohibiting imports of the article below a certain grade, has made the average cup of coffee now drunk here to be better and more palatable. It has been suggested that there is still ground for improvement in the United States in the way in which coffee is roasted and prepared for the table. It is held by some in Brazil that the higher or deeper brown coffee is roasted the less caffeine there is in it; this statement has not been confirmed, but the indications are that there is but a slight diminution. It is also stated that in preparing it for the table the best way is to pulverize the bean and percolate boiling water through it, not pouring the water more than twice if the best flavor from the coffee is to be obtained.

Brazil produces more coffee than all the other countries of the world together, and in view of its lower cost of production in comparison with the rest of the world there could be a larger production in Brazil if consumption increased more rapidly than it does. The consumption in the United States per capita has decreased on account of the advertising attacks made against coffee as a beverage by producers of substitutes for the article. The Brazilian Government has viewed with much concern and displeasure this propaganda directly attacking the interests of their chief product, and the officials of the State of São Paulo naturally desire that some steps should be taken to prevent any unwarranted and untruthful attacks made in the periodicals and other sources of advertisement in the United States against coffee, the chief commodity of Brazil.

SCHOLARSHIPS FOR BRAZILIAN YOUTHS.

Your committee would also recommend that either some existing organization undertake, or that some society be established in Brazil with correspondents in the United States for the sending of young men from Brazil to the United States to work in factories and in-

dustrial establishments on the plan adopted in Chile, by which the correspondents in the United States acquaint the *Sociedad Pro Estudiantes Chilenos en el Estrangero* with the opportunities for young men for such work. This Chilean society, assisted by the Chilean Government and private funds, pays for the transportation of these candidates to the United States and also provides financial support for them during the period of their training in the factories.

In conclusion, we wish to reiterate the idea that the members of this committee are fully conscious of the fact that their studies of many of these problems were necessarily of a brief and cursory nature, but we nevertheless venture the hope that our labors may prove not to have been in vain, particularly with respect to the further extension of friendly relations and the promotion of mutual helpfulness. Furthermore it is hoped that the activities of this committee may be found to have contributed at least another link in the chain of intellectual sympathy and understanding between the people of Brazil and of the United States.

Very respectfully,

RICHARD P. STRONG, *Chairman.*

REPORT OF FINANCIAL AND COMMERCIAL COMMISSION TO PERU, BOLIVIA, AND CHILE.

Hon. W. G. McADOO,
Secretary of the Treasury,
Washington, D. C.

SIR: The commission selected to serve, in accordance with the resolution adopted at the Pan American Financial Conference, held at Washington in the month of May, 1915, as a return visit committee to Peru, Bolivia, and Chile, consisted of the following members: Mr. O. M. Clark, president of the Clark & Wilson Lumber Co., of Portland, Oregon, representing the lumber interests of the United States; Mr. A. W. McLellan, president of the Alden Mills Corporation, of New Orleans; Mr. Ernest H. Wands, of New York. Mr. Harry Guggenheim and Mr. W. C. Potter, who had been included among the commissioners, found it impossible to await the sailing of the committee from New York and departed for Chile some days before the date set for the sailing of the party for Peru. Messrs. Clark, McLellan, and Wands met in New York in time to sail on the United Fruit Co.'s steamer *Metapan*, on April 15, 1916. Mr. Wands was selected to act as the chairman of the committee.

With the exception of a stop of one day at Habana the voyage from New York to Colón was uneventful. A day was spent in an inspection of the Panama Canal. The committee then sailed by the steamship *Guatemala* of the Pacific Steam Navigation Co. for Peru.

ARRIVAL IN PERU.

The first Peruvian port at which the commission touched was Paita. The harbor is merely an open roadstead, protected to some extent, it is true, from the prevailing winds and currents, and, inasmuch as the west coast of South America is never visited by the destructive storms which at certain seasons sweep the western Pacific, even this unimproved harbor offers a relatively secure anchorage to the numerous coastwise and overseas vessels calling at Paita.

Paita.—The commission was met by United States Commercial Attaché William F. Montavon and made welcome to Peru in the name of the United States Legation at Lima.

Paita is the seaboard terminus of the Paita-Piura Railway, one of the many short lines operated by the Peruvian Corporation. Piura, the inland terminus of this railway, lies in the midst of some

of the best cotton lands in Peru. Here the rough staple cotton, known in the trade as "Peruvian rough," is grown almost exclusively. This cotton, having a coarse texture and grayish color, mixes well with wool and is used in the manufacture of cheap woollen and shoddy goods largely in England. Trails lead from Piura far into the interior, through the grazing lands of Cajamarca into the beautiful upland plains where lies the town of Cajamarca, the seat of the Inca power in the days of the conquest; and passing the divide, extend far into the wooded lowlands of the montana and the great department of Loreto, even to the upper tributaries of the vast river system of the Amazon.

Only a few miles to the north of Paita and bordering on the coast lie the rich petroleum fields of Negritos, Zorritos, and Lobitos. Here the Imperial Oil Co. has recently acquired large holdings and has undertaken the development of the small port of Talara within its own properties. Until recent years the borings in these fields had been of a relatively shallow character, and the development of the properties was far from attaining its fullest proportions. Experimental borings have now shown that there are several petroleum-bearing strata lying at depths varying from 500 to 3,000 feet, and the production is being greatly increased.

Etén.—After an all-night sail from Paita the *Guatemala* arrived off Etén in the early morning of May 2. Like Paita, Etén derives its importance from the fact that it is the seaboard terminus and coastwise shipping point for the Etén-Chiclayo Railway, which taps the rich sugar lands which lie behind the first foothills and are irrigated from streams flowing from the snow-covered peaks of the Andes. In this valley are located three sugar plantations, which are reached by the train from Chiclayo in the following order: Pomalca, an estate having approximately 4,000 acres in cane and producing 8,000 tons of sugar per annum; Tumán, having 5,600 acres in cane and producing annually 15,000 tons of sugar; and Patapo, an estate having an area in excess of 50,000 acres, of which, however, only 2,100 are in cane, with an annual production of about 4,000 tons.

The Etén manager of the railway, Mr. A. J. León, graciously placed a special train at the disposition of the committee and made it possible within the few hours at our disposal for us to visit the Tumán estate. This great estate belongs to the Pardo family, of which the present President of Peru is a member, and reached its high degree of productivity under the personal direction of this distinguished statesman. The crushing and granulating plants on Tumán are modern in every detail.

It is confidently expected that the production of Tumán will be 20,000 tons of granulated sugar per annum.

Tumán is a fair illustration of what scientific administration can make of the sugar lands of Peru. Cutting is continuous throughout the year, with only brief interruptions for repairs to the machinery, and the production has been brought up to nearly 5 tons per acre, or about three times the average production in Louisiana. It has been estimated that sugar can be produced on the Peruvian estates at an average cost of less than \$2 per hundredweight, and with the high prices prevailing for sugar at the time of our visit to Tumán the earnings of these estates are almost fabulous.

The port of Etén is equipped with a steel pier extending 800 meters out to sea and operated by the Etén-Chiclayo Railway Co. This pier has five traveling cranes for handling cargo, one of which has a capacity of 14 tons. In addition, the railway company has 3 gasoline tugs, 11 lighters of 20 tons capacity each, and has on several occasions succeeded in handling 2,000 tons of cargo in a single day.

Mr. León stated that from 20 to 25 passenger and 5 or 6 cargo steamers of an average tonnage of more than 2,000 called at Etén, in addition to a large number of smaller coasting steamers and sailing craft.

The total exports from Etén during 1915 consisted of 715,000 packages of cargo, weighing 68,840 tons. Of this amount, 40,000 tons were sugar and the remainder was made up in varying proportions of alcohol, rice, cattle, hides, and other agricultural products. The imports amounted during the same year to 27,000 tons and consisted of flour, coal, kerosene, gasoline, lumber, and miscellaneous manufactured goods.

During 1914 and through 1915 to the present time there is noticeable a steady increase in the volume of trade between the port of Etén and the United States, and Mr. León suggested that the importance of this trade had become such as to justify the appointment of a United States consular agent at Etén. That the appointment of such an agent would tend greatly to facilitate trade is well illustrated by the case of the hides exported from the port. During 1915, 25,000 hides were exported from Etén. Our quarantine regulations require that these hides be disinfected before they may enter the United States. In order to secure a consular certificate of disinfection the hides must be shipped at considerable expense to Callao and back again to Etén, or reexported from Callao.

Pacasmayo.—The next port visited by the committee was Pacasmayo. This port is the seaboard outlet for a fertile valley which extends well into the foothills and in which rice and cattle are the chief productions. Even before the conquest of Peru this valley was the scene of a highly developed agriculture, and there are evi-

dences extant to-day that a great river watered the valley and made it possible for a populous city to grow up.

The Jequetepeque River, which to-day is but a dry gravel bed winding through the barren desert sands, a few centuries ago supplied water for a great system of irrigation of which some of the canals may still be traced; the valley to which Pacasmayo is the gateway must have been a veritable garden spot stretching from the seaboard far into the mountain fastnesses of the Andes and providing the chief outlet to the Inchaic headquarters of Cajamarca. The waters of the river have disappeared, absorbed apparently by the sands of the desert. As is true elsewhere on the Pacific coast of Peru, there are at Pacasmayo great subterranean streams at a depth of 20 to 60 feet. These streams are again being brought to the surface by means of wells and pumping systems.

Salaverry.—Salaverry, at which port the *Guatemala* arrived at daylight May 3, lies at the entrance to Chicama Valley, the sugar lands *par excellence* of Peru. In this valley at distances varying from 20 to 50 miles lie the richest and most highly developed plantations of the country. Among these Casa Grande, of the firm of Guildermeister & Co., Cartavio, belonging to the firm of W. R. Grace & Co., La Roma and Laredo, belonging to Peruvian families, are the best known and the most productive.

The committee found the warehouses at Salaverry overflowing with sugar, and the production was such that the steamers calling at the port seemed able to make but little headway in relieving the congestion. The pier at Salaverry, like that at Etén, is fairly well equipped. In addition to sugar, Salaverry exports cattle and minerals in considerable quantities.

Because of the fogs and cold southwest winds which sweep along this coast during June, July, and August, the population living at Salaverry is made up wholly of men engaged directly in shipping. Ten miles inland lies the interesting city of Trujillo. Here the temperature is milder and here are located the governmental headquarters, the commercial and industrial houses, and the banking institutions, clubs, etc., of the Chicama Valley.

ARRIVAL AT LIMA.

Callao.—At noon on May 4 the *Guatemala* arrived at Callao. A representative from the foreign office together with the prefect of the Department of Lima came aboard to welcome the committee on behalf of the Government of Peru. The United States minister, Hon. Benton L. McMillin, and the consul general of the United States, Mr. William H. Handley, together with committees from the Lima Chamber of Commerce and other organizations of the city greeted the committee aboard the steamer. The courtesies of the port of

Callao were granted the commission, who, accompanied by the welcoming delegates, proceeded ashore in a launch placed at our service by the Peruvian Government.

Lima.—The daily press of Lima had, several days prior to our arrival, devoted some space to the announcement and discussion of the purposes which our commission had in making this visit to Peru. As a result we had scarcely had time to establish ourselves in the Hotel Maury when callers interested in one phase or another of our mission began to be announced. Among the first of these was Mr. Pedro D. Gallagher, president of the Lima Chamber of Commerce. Mr. Gallagher most generously assured the committee of the desire of the chamber of commerce to render every assistance and requested that on the following day we meet him in the directors' room at the offices of the chamber of commerce for the purpose of more fully outlining the character of the information we desired.

May 5, the first day of our stay in Lima, was largely taken up with official calls on the United States minister, Hon. Benton L. McMillin, and on the ministers of foreign relations, finance, and public works of the Peruvian Government, and in a conference with the officers of the chamber of commerce.

The minister of the treasury, Dr. García y Lastres, in the course of our visit discussed problems of public finance which at present confront his Government, and outlined the export taxes recently placed on certain raw materials shipped from Peru, including copper and sugar. He made clear the fact that the tax was assessed against profits or net income rather than against products, and pointed out the fact that direct taxes, including a tax on income, were not popular in Peru, but that the export taxes amounted to what might be styled an indirect tax on incomes and had met with less opposition than might have been expected. The income derived from this new tax had been greater than had been anticipated because of the unusually high prices being received for the agricultural and mineral products of Peru against which the tax is levied.

Among the most interesting events of our visit to Lima was our audience with His Excellency, President Pardo. His Excellency received us in one of the beautiful audience chambers of the historic executive palace at Lima, which has witnessed the splendor of the viceregal courts under former administrations, and which to-day is the executive headquarters of the Republic of Peru.

The commission remained in Lima from May 4 until May 13. During this time places of historical interest, public buildings and institutions, manufactories, mills, and mercantile establishments were inspected and an opportunity offered for interesting interviews and conferences with the men who are at the head of affairs in Lima. The committee was greatly assisted in its work by Mr. Cisneros y Raygado, of the foreign office; by Mr. Fernández, of the Asociación

de Industrias de Lima; by Mr. Pedro D. Gallagher, president of the Lima Chamber of Commerce, and by a great many others connected with the Government or with the commercial and industrial establishments of Lima who gave their services unstintingly to the committee, and without whose assistance it would have been difficult, if not impossible, to collect the large volume of the reliable data which was gotten together by the committee in so brief a space.

The office of the minister of the United States to Peru and of the consul general of the United States at Lima rendered valuable service in collecting reports and preparing statistical and other information for use by the committee. Commercial Attaché Montavon and Mr. L. B. Clark, of the office of the United States commercial attaché, placed their services unreservedly at the disposition of the committee in Lima, and their assistance was of much value both in the collection of data and in the compilation of reports, but especially in making it possible for the members of the committee to make the very best of the few days spent in Lima.

The committee had announced prior to its arrival at Lima that it desired a program free enough from social functions to make possible the devotion of most of its time to the study of conditions and the collection of information. There was therefore no elaborate program of social entertainment. The commission was entertained at luncheon by Mr. W. G. Holloway, manager of the firm of W. R. Grace & Co., in Peru, and at dinner by the minister of the United States to Peru, Hon. Benton L. McMillin, at whose table they met members of the cabinet of President Pardo, the presidents of the Lima Chamber of Commerce, of the Bolsa de Comercio de Lima, and other gentlemen prominent in affairs; by Dr. Felipe Pardo, brother of the President of the Republic of Peru; and by Mr. Pedro D. Gallagher and Mr. José Payan, presidents, respectively, of the Lima Chamber of Commerce and of the Bolsa de Comercio de Lima.

The banquet offered the committee by the presidents and directors of the Chamber of Commerce and the Bolsa de Comercio was attended by men most prominent in the financial and commercial circles of the country. While at the other functions speaking had been limited to brief toasts, at this banquet an occasion presented itself for the public expression of the aims of the commission.

Mr. Pedro D. Gallagher, president of the Lima Chamber of Commerce, speaking in English, welcomed us to Peru in the following gracious language:

In the name of the commercial and financial interests of Peru, I welcome you with much pleasure to our shores. The visit which you are making to us can but make stronger the ties of those commercial relations between our countries which give unmistakable promise of advantages and material gain for both and the stimulation of which has ever been our chief ambition. It is par-

ticularly during a period of trouble like the present that the bonds between those nations who have the good fortune of enjoying peace should strengthen themselves more than ever before in order thus to compensate themselves mutually for the part that may be theirs in the loss and the suffering of the entire world. I hope, therefore, gentlemen, that the visit which you are making to Peru may enjoy a success even greater than that which you had hopes for and of which it is most worthy because of the splendid purpose for which it was undertaken. We shall spare no effort to cooperate with you in securing this success.

Mr. Wands responded for himself and his associates in Spanish.

To me there is a special gratification at being in Peru and seeing again my friends of Lima, many of whom, I am glad to say, are friends of many years' standing. In the years that have elapsed since my first visit here about 15 years ago, the people of our two countries have grown to know one another better. There has been a most satisfactory development, not only of the commercial, but also, I am glad to say, of the social relations between Peru and the United States. This has been brought about by the efforts of both countries. More Peruvians are visiting the United States every year and more people from my country are coming to Peru every year. Then you have been extremely fortunate in the class of men selected by your Government to represent you in diplomatic and consular posts, and still further in the men who have represented Peru at gatherings like the Pan American Financial Conference held in Washington a year ago and the Pan American Scientific Congress held in Washington only a few months ago.

It is possible that the idea of holding such a conference would not have been conceived had it not been for the war in Europe. With the outbreak of that conflict many countries that formerly sold their bonds to European bankers were forced to look elsewhere for financial markets. Because of the needs of our own country, investors of the United States had not been generous buyers of foreign securities. But conditions are changing with amazing rapidity. To-day in the United States there is an eager interest in South and Central American opportunities. Business propositions from South America are carefully studied and many of them are even now being financed. There is, in fact, no doubt that many of our financiers whose vision is not limited have concluded that in the long run more benefit will accrue to the United States in financing and developing South America than in holding funds to lend to our European trade competitors for reconstruction purposes after the war.

Our business men realize there are many reasons why this is a particularly good time to get acquainted with the possibilities of Latin America. We must bear in mind that there are only three large international trading nations in the world—the United States, Great Britain, and Germany.

Great Britain gained her commerce by establishing the first line of steamers between Europe and South America; by introducing the first cable; by financing the pioneer railroads which opened up the countries to settlement and development; and by establishing adequate banking facilities.

Germany's huge trade is the result of similar enterprise, but she was also materially helped by the hundreds of thousands of German emigrants who settled largely not only in the southern part of Brazil, but also in the other South American countries.

Great Britain and Germany, the countries which in the past have had the greatest merchant marine and the best system of branch banks, have been the two most important factors in the world's trade. For the United States to

develop a merchant marine there must be a return cargo commercially accessible. Also, in order to establish branch banks in South American cities with any prospect of profitable business it is necessary that there should be a large export trade from the United States and a large import trade on the part of the United States from Latin America. In other words, we must buy your products and not strive solely to sell you our manufactured articles.

The problem of return cargo from the west coast of South America is being solved by the rapid development of your copper mines and other industries, the output of which is in such keen demand by our manufacturers.

The problem of return cargo from the eastern coast of South America has been solved by our new tariff law, which permits the importation of South American beef.

The opportunity to establish branch banks under our new Federal law comes at a happy time. The business to be secured to-day is much greater than it was 10 years ago, and there is the additional advantage of millions of dollars of money from my country which has been invested in the countries of the southern continent.

It is the belief of the commission that the visit to Peru has done much to confirm and strengthen the ties of friendship which have so long bound our country to Peru, and that as a result of the personal conferences held with men who are leaders in the industrial and commercial fields in Peru much has been accomplished in dispelling what little prejudice there may have been against our goods or our trade.

It shall not be our purpose to set forth fully the vast volume of information which we were able to collect while in Peru. Some of this, as must be expected, would necessarily have to be submitted to rigid tests before it could be accepted at its face value. It shall be the purpose of the following paragraphs rather to suggest lines along which further investigation may be made, to mention such sources of information as were made available and to summarize very briefly what we consider to be the information of greatest value at the present time which has come before us.

CONDITION OF PUBLIC FINANCES.

Moratorium.—Our committee was especially pleased to find a high degree of optimism both in governmental and commercial circles with regard to the country's finances. So intimate were the economic relations existing between Peru and Great Britain and the countries on the Continent of Europe, so completely were the finances of Peru dominated by those of the Old World that when the European war broke out in August, 1914, there seemed no means of escaping a most serious panic in Peru, involving in its disastrous effects both Government and private enterprises and institutions. So serious was the situation that on September 22, 1914, a general moratorium was declared to remain effective for a period of one year. Business remained at a standstill and the financial institutions were thus given

time to adjust their operations to the new conditions brought about by the war.

Scarcity of circulating medium.—As was to be foreseen there was a universal tendency during this period of disturbance, little short of panic, to hoard metallic money and there soon arose the new factor of a shortage in the circulating medium of exchange. To remedy this difficulty the Government, in cooperation with the banks of Lima, issued paper in the form of circulating checks payable to bearer. Prior to the war the circulating money of Peru had been silver and gold coin with the pound Peruvian as the unit. The silver coin known as a *sol* was the legal equivalent of one-tenth of a pound and the subsidiary coins were decimal parts of the *sol*. The pound Peruvian was in weight and fineness the exact equivalent of the pound sterling.

Circulating checks issued.—The act of the Peruvian Congress authorizing the issue of the circulating checks limited the total amount to be issued to 2,200,000 pounds and the amounts of the issues were to be distributed among the banks in proportion to their capital stock. The issues were in each case to be protected by a reserve fund in gold equal to 20 per cent of the issue and in securities, to be passed on by a board of overseers, equal to the remaining 80 per cent of the value of the issue.

Confidence restored.—The exports of Peru soon found in New York a market as good as or better than they had theretofore found in Liverpool and the other markets of Europe. The prices for these exports rose rapidly and the favorable trade returns made it possible for the banks of their own initiative to increase the gold reserves back of their issues of circulating checks. As the public became accustomed to a paper currency thus supported, confidence was restored and the metallic currency, which had been so carefully hoarded, has already begun to reappear.

Foreign trade.—Two factors operated to curtail the foreign trade of the country and consequently to reduce the custom receipts which had been the chief source of the public revenues—the withdrawal from their usual routes of many of the merchant ships of the belligerent nations, the consequent rise in ocean freight rates, and the closing to a great extent of the markets of Europe which practically cut Peru off from the markets in which she had been accustomed both to sell her exports and to purchase the bulk of her imports.

Foreign exchange.—So great was the demand for foreign exchange after the outbreak of the European war that sight drafts on London commanded a premium of 15 per cent in August, 1914. The reaction has been so complete, however, due both to the prudent administrative measures adopted by the National Government of Peru and to the fact that the foreign market for the exports of Peru has been in

great part restored, that the present rate of premium on exchange (fall, 1916) is as low as one-half per cent for sight drafts on London.

Export tax.—For the purpose of creating new revenues to take the place of those which had become unproductive as an effect of the war, the National Government of Peru levied an export tax on certain raw materials produced in the country, including cotton, wool, sugar, and certain minerals. This tax becomes effective only when the market price of the export has reached a minimum fixed by the law. Due to the fact that most of the exports of Peru have commanded prices in the markets of the world during the past year considerably in excess of those usually paid, the export tax has been productive of revenue beyond the hopes of its most ardent advocates.

Rise of price of exports.—The following statements will bear out at least in part the above. Sugar is the chief agricultural crop grown in Peru. In January, 1914, Peruvian granulated sugar commanded \$2.50 per English hundredweight of 112 pounds. As a result of the outbreak of the war the price of sugar rose in August, 1914, to \$4.86, and to-day the price is \$4.10 per Spanish *quintal* of 101.46 pounds. The rise in the value of copper as a result of the war has been even more remarkable than that of sugar. The exports of copper from Peru exceed in total value any other mineral exported. In January, 1914, copper brought 66 pounds per ton and closed in December of the same year at 56.15 pounds. In December, 1915, copper was bringing 84.5 pounds, and at present it has risen to the unusual figure of 137 pounds per ton.

Freight rates affect imports.—As has above been pointed out, the commerce of Peru has been and still is handicapped by the very high ocean freight rates collected on all her exports and imports. The fact that manufacturing industries developed in Peru do not supply even the domestic market to any appreciable degree accentuates the evil effects of this rise in freight rates, and the result has been the total or partial depletion of the stocks held in certain lines of goods in Peru. It has been stated that during the closing of the Panama Canal in the early part of the present year ocean freights to Peru were as much as 400 per cent above normal.

INDUSTRIES OF PERU.

Mining.—Peru occupies a favored position in the central part of the Andes and has within her borders what must probably be conceded to be one of the most highly mineralized portions of the earth's surface as yet explored by men. The gold mines of Peru were known for the richness of their ores even in the day of the Inca and before the conquest. To-day the copper mines of Cerro de Pasco and Moroc-

ocho are amongst the most valuable producing mines of the world. In addition to copper and gold, silver, tungsten, and lead are produced in considerable quantities. Extensive deposits of zinc and of coal, both hard and soft, are said to exist and await but the onward march of progress and of population when they may be developed to advantage.

At the present time, due largely to the European war, the prices commanded in the markets available by the minerals exported from Peru are greatly in excess of the cost of production and the earnings of the mining companies are certainly very satisfactory.

Agriculture.—The voyager who knows Peru merely from the view he may get of it from the deck of the steamer sailing along its coast can form no idea of the agricultural wealth which lies but a few miles inland behind the barren desert sands and naked hills which present so forbidding an aspect along the coast. Fortunately, the committee had an opportunity to get beyond the desert belt and to inspect personally some of the valleys made fertile by irrigation systems at times as old and older than the period of European activities in America.

Sugar, cotton, wool, and cattle are the chief production of the agriculture of Peru. Cattle raising and wool production on the Andean plateau is being extended, and the quality of wool is being improved by experiments in the cross breeding of sheep and the creation of herds adapted to the unique conditions of climate and altitude found in Peru. The cattle industry of Peru, though old in point of time, is still in the infancy of its development and seems to hold much in store for future development.

Of the agricultural products of Peru, however, sugar and cotton are close rivals for premier position. In normal times the cotton crop is of greater value than the sugar crop, and the possibility of development in cotton seems to be greater than it is in the sugar plantations, because of the fact that cotton resists the arid conditions better than does sugar cane.

The raw cotton industry of Peru suffered because of the European war in much the same manner as did our own cotton industry, and has not yet fully recovered. In Peru both smooth and rough staple cotton are grown. The rough staple, commonly known as Peruvian rough, is a variety of cotton not grown successfully on a large scale elsewhere than in Peru. It is well adapted both because of its roughness and of its peculiar grayish color for mixing with wool, and it is this characteristic which gives it its great value. The best grades of rough cotton are grown within a very limited area in the northern part of the country, but a semirough cotton is grown in other sections.

The smooth staple cotton is of both the long staple and the upland varieties, and finds a good market in normal times in Europe, while considerable quantities are being consumed in the mills established at Lima and elsewhere in Peru. In these mills there are in operation 68,000 spindles and some 2,500 looms. The business seems to be prosperous, is controlled in part by foreign capital, and the tendency is to increase the volume of the output which finds a good market in Peru and adjoining countries.

There are upward of 90 sugar estates in Peru. These are located in the short valleys along the Pacific coast, have a total area of not less than 500,000 acres, of which, however, not more than 100,000 are actually in cane. The problem on the sugar estates, as it is in every other agricultural venture in Peru, is the problem of water. The farmer has no rainfall upon which to depend, and although his lands when duly watered are of phenomenal fertility, there are no great systems as yet created for the preservation of the limited supply which comes to his lands from melting snow of the Andean summits. The crop is grown entirely under irrigation, and the supply of water for irrigation for a crop like sugar, which must grow throughout the year, is necessarily the supply available during the months of minimum flow. Reports covering three distinct irrigation projects, which have for their purpose the conservation and economical distribution of the available water supply, were shown to the committee by the Lima Chamber of Commerce. The seven largest of these projects involve a total area of 670,000 acres, and competent engineers have estimated that the cost of irrigating these would be in the neighborhood of \$50,000,000, or an average cost of slightly less than \$75 per acre. The largest of these, involving more than one-half of the total area, that of Chancay, could be constructed, it has been estimated, at a cost of approximately \$70 per acre.

Manufacturing.—Manufacturing in Peru exists only on a small scale and has for its purpose the supplying only of the domestic market. The cotton and woolen mills are turning out good work. The tanneries, shoe factories, furniture factories, hat factory, and other establishments visited by the committee are handicapped by the limitations of the domestic market to which they cater, are obliged to devote their energies to the production of a wide variety of goods, and have not the advantages which come from specialization.

TRADE RELATIONS BETWEEN PERU AND THE UNITED STATES.

The commerce of Peru has suffered much because of the European war, as has already been pointed out in a general way. The United States is practically the only market in which Peru may profitably purchase to-day the commodities which she must import, and the high prices prevailing in that market, as well as the abnormal

charges for freight and insurance, limit even that market to a great extent.

In a general way our goods are being introduced into Peru in ever-increasing quantities. Our ability to hold this market when the war is over and normal conditions are restored will largely depend upon our ability to adjust our production to the new conditions of competition and to avail ourselves of the advantage of closeness which the Panama Canal makes ours.

There is no doubt that the investment of ever-increasing amounts of our capital in the productive enterprises of Peru, and the improvement of our exchange by the establishment of an American bank at Lima, would tend to strengthen our trade relations with Peru and increase the bulk of the commerce between the two countries.

DEPARTURE FROM LIMA.

At 2.30 p. m. on May 13, a group of distinguished citizens, Government officials, and business men of Lima escorted the committee to the Callao station and after most cordial farewells the committee sailed for the Peruvian port of Mollendo.

Tambo de Mora and Pisco.—On May 14 the ports of Tambo de Mora and Pisco were visited. These ports are mere shipping points, as indeed are most of the west coast ports of Peru. Back of them, and only a few miles inland, lie the fertile irrigated vineyards and olive gardens of Peru. Wine of good quality, olives, and dates are grown in considerable quantities and form an important item in the trade of these ports.

Chala.—On May 15 the committee visited the port of Chala. As Paita, the first Peruvian port visited by the committee, is the port from which the rough cotton of Peru is exported, so Chala is the port from which the bulk of the smooth-staple cotton finds its way into the markets of the world. The firm of W. R. Grace & Co. has an agency at Chala which is of considerable importance because of the fact that it buys the bulk of the raw material used by the cotton mill of the same firm which we had visited while in Lima. The committee found that although the market for Peruvian smooth-staple cotton had been almost paralyzed for months, because of the closing of the European market, there were evidences of improvement and the growers were more hopeful.

Mollendo.—On May 16, we arrived at the port of Mollendo. This port lies exposed to the southwest winds which prevail at this season and the landing of passengers and cargo was at once a picturesque and perilous undertaking. So violent was the surf even alongside the small pier that passengers and cargo had to be hoisted from launches and lighters by the moving cranes with which the pier is

equipped. It is said that a few miles to the south of Mollendo there exists a harbor which might be made safe at all seasons of the year. The committee did not have an opportunity to investigate this matter. What we have seen of the west coast of Peru makes us feel that a coastwise longitudinal railway in Peru, which would connect the fertile valleys with one or two good shipping points, is a facility which must be provided before the foreign trade of this coast may expect to reach its fullest development.

Mollendo, which for years enjoyed a practical monopoly as the outlet to Bolivia, has in recent years come into competition with the ports of Arica and Antofagasta, both in Chilean territory. As a consequence the bulk of trade passing through Mollendo has diminished, and unless some practical step is taken to improve the harbor at Mollendo, or to develop a harbor in this vicinity, the probability is that Mollendo will lose entirely the importance it has enjoyed as the outlet for the mineral wealth of the Republic of Bolivia.

At noon, May 17, the committee left Mollendo by the regular train of the Southern Railway of Peru. This road is operated by the Peruvian Corporation.

ARRIVAL IN BOLIVIA.

Guaqui.—Arriving at Guaqui on the morning of June 19, we were met by the minister of the United States to Bolivia, Mr. John D. O'Rear and Mr. V. L. Havens, commercial attaché of the United States in Chile. Bolivia being included in the district of the commercial attaché of Peru, Mr. William F. Montavon had accompanied the committee and remained with it during its visit to Bolivia at the request of the committee. Representatives of the Government of Bolivia and of the commercial and industrial establishments of La Paz had likewise come on to Guaqui to meet the committee. A special train was ready, and we at once set out for Tiaguanaco, the seat of what are probably the most ancient ruins of Bolivia. Mr. Arturo Posnansky, an authority on Bolivian antiquities and the author of several printed volumes on the ruins of Bolivia, met the committee and spent several hours in explaining the ruins in the vicinity of Tiapuanaco.

La Paz.—Arriving at La Paz the committee was met by the cabinet of President Montes of Bolivia and made welcome in the name of the country. Very comfortable quarters had been provided for the committee, and nothing had been left undone which might add to the success and pleasure of our visit to La Paz.

Because of delays occasioned by the irregularity of sailings from Callao, the committee arrived at La Paz several days behind the schedule which it had adopted. As a consequence the visit to Bolivia had to be made as brief as possible and limited entirely to the city

of La Paz. During the two days and a half spent in this interesting country, every minute of the time of the committee was taken up by a program prepared by the Government of Bolivia, and it is not probable that the time could have been spent in a more interesting or valuable manner.

The daily press of La Paz devoted a great deal of its space to the work of the committee and discussed with great sympathy the purpose of the visit. The cordiality of the reception accorded to the committee by the Government of Bolivia, by the business interests of La Paz, and by the people in general is eloquent testimony of warm friendship for the United States.

Among the most interesting events of May 20 was the audience granted to the committee by His Excellency President Montes. The audience was in the presence of the cabinet and took place in the main audience hall of the Presidential Palace.

The minister of foreign affairs, Dr. Sanjinés, entertained the committee at dinner in the evening of May 20. Fifty of the men most prominent in political, military, and commercial life of Bolivia made up the guests.

In welcoming the members of the commission, the host spoke as follows:

Gentlemen, one year ago, at the suggestion of Mr. William Gibbs McAdoo, Secretary of Treasury of the United States, there assembled in Washington, under most favorable auspices, the First Pan American Financial Conference, made up of delegations from 18 Republics of this continent.

It was the privilege of the distinguished representatives of the respective Governments, who formed part of that assembly, to place wreaths of flowers, as a homage of admiration and respect for the departed great, at the one-time home and now resting place of the remains of the greatest of Americans—Washington.

That ceremony, in which the feelings of the people of the three Americas acted in unison, in rendering cult to the memory of a great man, reveals to us symbolically the growing solidarity of the Nations of the new continent and their ever-increasing tendency to create new bonds of union between themselves.

At the financial congress of May, 1915, at which the financial, mercantile, and transportation features of the American Republics were studied, propositions were acclaimed which are destined to bring about uniform systems of legislation, especially in regard to economic and commercial relations.

The momentous propositions of that conference have been further promoted by the commission that met at Buenos Aires on April 3 last. The highest intellectual powers joined in that assembly in order to study the practicability of solving certain far-reaching problems which had previously been looked upon merely as ideals which it was more than difficult, if not impossible, to carry out. Nevertheless it was then shown that it is possible to generalize legislation in regard to bills of exchange and a gold standard of equal purchasing power in all of the countries of the American Continent.

In addition to the progressive steps that we are taking in the direction of adopting uniform laws on commercial transactions, it is a pleasure for me to dwell on the helpful work of intellectual intercourse brought about by the latest scientific congresses. I refer to that of Santiago de Chile, of January, 1909, and to the Washington congress, which adjourned on the 8th of January last.

Simultaneously with the accomplishment of that work, for which our thanks are due to the brilliant initiative of eminent personages of the United States of America, the world at large has been enabled to form an idea of the boundless mineral and agricultural wealth of the soil of America, at the great Panama-Pacific Exposition of 1915, the finest and, maybe, the most complete of all of the exhibits of nations held to this day.

If the Panama Canal has shortened distances and made communications easier between the two oceans and between North and South America, if the international congresses have provided an opportunity to bring about a contact between statesmen and thinkers of all three, Anglo-Saxon, Spanish, and Lusitanian Americas; if a system of uniform laws and rules of conduct is soon to be a reality, then we have good cause to rejoice at success attained and to speak with entire faith of Pan Americanism and acclaim it as a brilliant forerunner of the future.

On many occasions, when the official representatives of Bolivia visited the United States, their reception was of a nature so brotherly and hospitable that our gratitude is pledged to the charming courtesy of the American people.

It is to-day our good fortune, in turn, to be the hosts of some of the most distinguished members of the highest financial circles of the United States. Their coming among us fills us with joy and with hope. On tendering our most sincere and cordial welcome, we express the hope that their stay amidst the Bolivian family may be pleasant to them, and that, when they leave this country, they shall carry with them the best impressions, not only of the rural beauties of our landscape, of the imposing heights of our snow-clad mountains, of the fabulous wealth of our mines, but also of the hospitality of the people of Bolivia and of their fitness to assume their proper share in the work of common progress.

I ask the gentlemen who are present to raise their glasses and to drink to His Excellency the President of the United States, to Mr. McAdoo, to whose initiative we owe the meeting of the Washington conference on finance, to the minister of the United States, and to each one of the distinguished gentlemen who honor us with their visit.

Mr. O. M. Clark arose to reply to the cordial words of welcome of his excellency the minister for foreign affairs.

Mr. Minister and gentlemen, it is indeed a pleasure which I appreciate most deeply to have the privilege of breaking bread with you to-night. This is my first visit to South America and to your most interesting country of Bolivia. I am neither an orator nor a linguist; my colleague, Mr. Wands, is both, and I hope that you may hear from him later. But I assure you, my friends, that sincerity shall be the compensation which I shall offer you for eloquence, and the language of sincerity is humanity's language, the language of true men the world over, understood, I am sure, in Bolivia even as it is understood in my native city on the shores of the Columbia.

My fellow citizens of the northwest of the United States did not choose me as a member of this distinguished committee because of my qualifications as an orator. They chose me because they have confidence in my judgment and faith in my ability to bring back to them a fair and impartial account of my impressions.

Portland, Oregon, the city which is home for me, is one of the fairest cities of our great country; a city of roses and fine homes; a community of enterprising citizens, where every man is encouraged to own his own home and to enjoy a high degree of economic independence.

My business is in timber and the manufacture of lumber. We have loaded at our own docks many a steamer destined for the west coast and thus have contributed in a practical manner toward the construction of your railways and other public improvements. Some of our timber has found its way into these picturesque regions of the Andes and has even become a factor in the upbuilding of this interesting city of La Paz.

Trade to be permanent and profitable must be accompanied by advantages to both parties; there must be reciprocity of profits, our ships must not return empty. If we are to sell you our goods, we must buy your minerals. Our country produces a surplus of many commodities which your country needs—canned goods, dried fruits, cereals, machinery, timber, and many others that I might mention. Your country likewise produces more tin and copper and valuable ores than is needed here. It is to our mutual advantage that we exchange the surplus, and in this mutual advantage I see the foundation of a profitable commerce between my country and yours.

This wonderful Continent of the Americas, blessed with a population of progressive and enterprising citizens, with political institutions on a par with the best that men have established at any time, with a soil, fertile and productive, and a climate as varied as it is pleasant, can by our cooperation be made economically independent. We can produce everything that man may require, and in this time, when the Old World is in the throes of a dreadful disaster, it behooves us, my friends, to draw every day tighter the bonds of commercial and social relations and thus, in some degree at least, compensate ourselves for that part which is inevitably ours in the general loss and destruction.

In this connection permit me to assure you that the delegates whom you have sent to the various Pan American congresses, and especially to the financial conference held at Washington in 1915 and to the Panama-Pacific Exposition last year have been men who, because of their high attainments and culture, have done much to confirm the international friendships already existing, and thus to further the commercial and economic solidarity of our countries.

Perhaps the most pressing problem before our country, and one which is most intimately bound up with the general problem of commerce, is the problem of transportation. Adequate facilities for the movement of goods over water and lands must be provided if trade is to reach its full development. Upon my return to the United States I shall devote much time to this problem. Of scarcely less importance is the problem of banking and credits, and it is my firm belief that the establishment of a strong United States banking institution here is one of the steps which our business men must take at once. Such an institution would doubtless become a powerful factor in stimulating both the productive industries and the commercial enterprises of our countries.

We shall feel that our visit has not been in vain if it has served to strengthen ever so little the bonds of friendship which unite our country to yours. In the name of the business men of the United States whom we represent we invite you most cordially to visit our country and to know us better, for it is from such mutual knowledge and friendships that must result that solidarity of the American nations to which we all aspire. I thank you, gentlemen, for your hospitality and for the many kindnesses we have received at your hands.

Mr. Wands spoke in Spanish, proposing the health of President Montes in the following words:

In conclusion, I wish to propose this toast to a statesman who has been the standard bearer of every effort for the peace and progress of his country, a man who enjoys the reputation of being one of the most prominent statesmen in

all of South America. I refer to His Excellency the President of the Republic of Bolivia.

On May 21, Mr. and Mrs. Jorge Sáenz entertained the committee at luncheon, and in the evening the minister of the United States to Bolivia entertained at dinner. The minister of finance spoke as follows:

Gentlemen, the invitation of his excellency, the minister of the United States to Bolivia, Mr. O'Rear, that this group of distinguished gentlemen gather at his table affords me an opportunity, beneath the folds of that beautiful flag that floats over this board, to address a brief word to the gentlemen in whose honor this banquet has been offered.

The idea of your visit to South America sprang in May, 1915, from one of the delegations to the Pan American congress then assembled in the Capital of the illustrious name of the immortal Washington, just one year ago. And the motion was unanimously accepted with applause.

Since then we expected to see you in this country, and hope that you may receive here, in your short visit, only the impression of good wishes with which we welcome you.

The importance of this visit, I hope, will have a meaning more significant than a mere usual courtesy and reciprocity in the relations of your country with her sisters of this Continent; something far more transcendent, that may leave a luminous mark in your path of peaceable and laborious prosperity.

There is in this country a vast field for commerce and industries. You have already seen the wonderful display of all the samples of rich products that within the privileged Bolivian soil are kept. Between them you may find the very one that Mr. Clark referred to, as being used to cover the articles he offered to send us in his expressive speech last night. You gentlemen have to study and give your thoughtful consideration to everything nature offers here, but from the viewpoint of mutual benefits, as that is the fundamental condition for the firmest resolutions; in this way you may open the doors of South American industries and commerce on bases of mutual confidence for the unrestricted interchange in the usual transactions of offer and demand.

In concluding, gentlemen, I want to toast for your happy return home, at the same time remembering His Excellency, Secretary McAdoo, whom we would have been exceedingly pleased to receive here the same as you. In this our country, which, if it has no big material things to offer, certainly can extend to you the most frank and friendly hospitality.

All three members of the American commission responded to the kind words of the minister of finance, expressing their appreciation of the many courtesies extended to them in the Bolivian capital.

During the afternoon of the 21st the committee visited a museum of metallurgy, which had been placed on exhibition for the special benefit of the committee.

ECONOMIC CONDITIONS.

The United States minister furnished the committee with a very comprehensive report on economic and industrial conditions, and a full statement of the effects of the war upon the country and the present economic conditions was received by Mr. José Luis Tejada, a prominent banker and business man and chairman of the finance

committee of the National House of Deputies. This statement, translated, is given herewith:

Bolivia, like all of the young nations of America, has not yet had the time nor the administrative means necessary to organize a complete system of finances, whereby all the economic energy of the country would be made to contribute its proper share to the budget necessary for the general expenses of the Government.

Up to the present its principal source of revenue has been customhouse revenues, where duties are collected upon the importation of foreign goods and where also are levied export duties upon certain raw materials which leave the country, to wit, minerals and rubber. The revenues of the customhouses in normal times represent somewhat more than 60 per cent of the total amount of the income of the National Government.

With these facts in mind it may readily be appreciated that the unexpected outbreak of the great European war in the middle of 1914 constituted a very serious menace for this country, and gave rise to a general uncertainty, not only in Government spheres, but as well in those of commerce and industry.

The first and general effect experienced in the days following the outbreak of hostilities in Europe, which may be attributed directly to this conflict, was, in so far as Bolivia is concerned, a total paralyzation of international trade through the enforced cessation of importations and the impossibility of continuing to export metals and rubber. The far-reaching effect of this can not be overestimated, for all the present economic organization of Bolivia is dependent upon these two industries. The exportation of minerals represents the larger part of the volume of the annual exportation of the country, and the value of these products serves as a basis for the importations and for the settling of international obligations. When the war brought the immediate cessation of all exportation it was synonymous with a suspension of labor throughout the mineral districts, and it may be said brought hunger to the doors of all the laboring classes as well as reacting upon all the population in general.

Few nations, therefore, derived greater advantage than Bolivia from the fact that the allies succeeded in securing the complete dominion of the seas within the first few months. This dominion of the seas changed the situation radically, for by making navigation to Europe and the United States possible it reopened to the Bolivian people the international ports of commerce, doing away with the fundamental cause of the general discontent, which commenced to make itself felt through the laying off of mining labor and threatened a total suspension of the work of this industry.

After a short period of vacillation the export movement recovered normality, and to this extent the economic situation in Bolivia was solved with respect to the corporations and industrial enterprises and that class of laborers who are dependent upon them.

The increasing needs of the belligerents at this time began to open up to Bolivia a new horizon of business. The war brought with it as a natural result a constant increase in the price of minerals such as copper and tin, of which Bolivia has rich deposits in exploitation, as well as in the price of other metals which form part of Bolivia's mineral wealth, although hitherto not represented in any great degree among her exports owing to the low prices previously prevailing for these metals in the markets of the world. In this last category are included principally the metals wolfram (tungstate of iron and manganese), antimony, and lead. The first of the metals named rose giddily in price from £120 per ton to the stupendous figure of £1,100 per ton.

Antimony, which in times of peace sold around £6 per ton of ore, rose to £35, and lead underwent a like rise in price.

In Bolivia, the deposits of these metals have been known for a long time to have existed, but it was impossible to mine them because of the difficulty of transportation. Once the prices reached figures when it paid to mine them, work was at once started on the known deposits, but the great value of these metals and their increased demand stimulated new discoveries and soon brought to light the fact that along the whole length of the range of the Andes and its spurs—that is to say, throughout the extent of territory at present inhabited and accessible to the railroads, there existed extraordinarily abundant and rich deposits of antimony, of wolfram, and of lead. The mining of these metals soon came to be an element of general prosperity for the country, and the volume of the exports steadily increased. A few figures will give some idea of this development. In 1914 antimony was exported only to the value of Bs. 30,616; in 1915 the exportations increased to Bs. 13,442,286, and in the first three months of this year, January to March, the value of the antimony exported was Bs. 5,669,035, and every day greater activity is noted in its mining.

Wolfram, which with good reason has come to be known as black gold, because of its extraordinary price, figured among the exportations of 1914 as Bs. 428,300; in 1915, it reached Bs. 1,497,845, and in the three first months of the present year, it has reached almost the figure of the entire preceding year, to wit, Bs. 1,380,929, which gives some idea of its increase.

With respect to the metals which have always been mined by the Bolivian miners, the increase was likewise appreciable. In 1914 the country exported tin to the value of Bs. 42,479,887. In 1915 this exportation reached Bs. 44,885,450. The value of copper exported in 1914 was Bs. 4,442,735, and in 1915 it figured in the exportations as Bs. 14,035,311.

This factor of the increase of the country's exports in so appreciable an amount, in comparison with the normal volume of the Bolivian exports, brought about a very satisfactory situation in the country's general condition, but the result was even better than might be thought, when taken in consideration with the extraordinary diminution of the importation of goods from abroad. Fortunately, the country had accumulated in the years preceding the declaration of war a very large stock of merchandise, due doubtless to the liberality of local credits which had characterized the policy of the national banks before the passage of the law in Bolivia limiting to a single bank, the Banco de la Nación Boliviana, the right of note issue. This heavy and perhaps excessive importation in advance has prevented the Bolivian people from suffering during these war times any scarcity in imported goods, or any rise in their price, and at the same time the merchants have been able to dispose slowly and profitably of their merchandise, which perhaps could not have met the competition of imported goods of more recent manufacture if the normal movement of imports had continued.

Synthesizing, then, the economic situation of Bolivia, it may be said that the country, in 1915, as a result of the war, has produced and exported more than in any previous year since the foundation of the Republic, and at the same time there never has been a less amount of foreign goods imported in proportion to the exports. The relative figures are as follows:

1914—Importation	Bs. 39,761,222
Exportation	65,801,562
1915—Importation	22,574,566
Exportation	95,210,350

A comparison of these figures will indicate with sufficient precision just what prosperity the European war has brought to Bolivia's business. Since exports rose above any previous year, while imports fell off about Bs. 18,000,000, the country has never had greater resources with which to pay off old debts and accumulate greater wealth. An unequivocal symptom of the comfortable circumstances in which the country finds itself, may be had from the foreign exchange quotations. At the outbreak of the war and during the first months of uncertainty which followed, the value of the Boliviano dropped to 14 pence, but under the influence of increasing exports and small imports, it has risen steadily until it has reached, not only the legal par of 19½ pence, but even a premium of 4 per cent in favor of the Boliviano, or a quotation of up to 20 pence per Boliviano.

These seem to be the culminating factors of the situation in so far as the business of imports and exports is concerned, that is to say, the two poles of the economic life of the nation, and from them have issued a prosperity shared in by everybody in general, due largely to the increased wealth produced by the mining operations, likewise a constant demand for labor and high wages, and the disposal, slowly but profitably, of merchandise imported in previous years in imprudent quantities, all of which have contributed to the maintenance of the general prosperity. It is not an exaggeration to say that business in general and everybody connected with it has seldom enjoyed a period of greater activity in production or better remuneration for his labor.

When we recall, however, the defective organization of our public finance, it is not to be wondered at that the reverse of this very satisfactory state of affairs for individuals obtains in so far as the Government is concerned. The small volume of the imports restricted in even larger proportion the custom-house duties, which is the principal source of the national revenues. Imports consisted chiefly of food products, which is the class of imports paying the smallest rates in the tariff. This source of revenue failing, the resources of the nation diminished rapidly from Bs. 22,000,000, the amount collected in the last year of peace, to the very low figure of Bs. 15,840,216, collected in 1914, and to a still lower figure in 1915 of under Bs. 15,000,000.

From the very first, therefore, the Government has been in straitened circumstances, and although the situation improved somewhat with the possibility of importing on a small scale and of exporting in the satisfactory way already outlined, still, a serious upsetting in the conduct of the Government's affairs could not be avoided. Fortunately, the Government, the Congress, and the people appreciated from the first that a time had come when it was necessary to make some sacrifice in order not to compromise the future of the country. By common consent, therefore, there was agreed upon a simple plan of expenditure of the Government's revenues more or less along the following lines:

- (1) To pay religiously, and at whatever sacrifice, the service of the foreign debt, of the internal debt, and of the guaranties in force for the railroads.

- (2) To suspend all public work which did not have funds of its own.

- (3) Finally, to effect economies in all governmental services and reduce, temporarily, 30 per cent, later 20 per cent, the salaries of public employees.¹

This program has been rigidly adhered to, and Bolivia to-day boasts of having met its debts as promptly as in normal times. The other economies have also been effected, and at present it is hoped that the Government's difficulties will be solved without any other measure than the issue of notes to be paid off in succeeding years by acceptance in the customhouses in definite proportions,

¹ At present, from 5 per cent to 20 per cent.

the issue, it is hoped, not to exceed Bs. 10,000,000, and to be fully paid within five years as a maximum.

Bolivia has learned many lessons from the war. It has called attention, none too gently, to the defective organization of its finances, based as they are upon the income of customhouses and exposed to brusque variations. It has, furthermore, called attention to the urgent necessity of stimulating other industries which can contribute something to the life of its inhabitants, avoiding the importation of food products and other goods which the country can produce itself on a great scale. Finally, it has demonstrated the great importance of the railroads, without which it would have been impossible to increase within a few months its exports of metals, and without which it would be equally impossible to stimulate the development of other industries in regions remote from the great centers of consumption. These lessons can not but have a beneficial effect upon the future of Bolivia.

The Government and the people are determined upon changing this situation which has brought on them such great disturbances during the present state of war in Europe. For this reason, they are firmly determined to develop the agriculture of the country, to make it independent of foreign markets in its consumption of sugar, alcohol, meat, and grains. At present, with its own funds, the government of the department of La Paz is extending a railroad toward the fertile Yungas region, which, once it has a railroad, will open for production a very extensive and rich area. The work on the Tupiza-Quilaca Railroad is going forward with enthusiasm, in order that we may have direct communication with the centers of production of the Argentine, and also to facilitate the exportation of our products to the Atlantic Ocean.

DEPARTURE FROM LA PAZ.

On the morning of May 22, the members of the committee said good-bye to the Bolivian officials and other friends by whom they had been so hospitably entertained, and in the afternoon they left La Paz on the long journey to the coast. The trip was made in a special train generously placed at their disposal by the Bolivian Government. All the ministers, many of the leading men of the country, and a large public were at the station to bid us good-bye. The United States minister, representatives of the ministries of foreign affairs and of the treasury accompanied us to Viacha, a ride of about one hour. We left Viacha, the junction of the three railways entering Bolivia, at 2.30 p. m. Final farewells were said at this point and the long journey to Antofagasta across the desert was begun. There was little of note along the railway beyond the continual barrenness of the ground, only scratched here and there by the most rudimentary implements. The temperature fell continuously. Heavy overcoats were necessary and even then the cold seemed very piercing. The train arrived at Oruro about 9 p. m. While waiting for the necessary train movements, calls were received from Melitón Lemaitre, the prefect of Oruro, and his secretary, Mr. Cabezas Villa, as well as the traffic manager of the railway. Invitations were ex-

tended to visit the local mineral exhibit, but owing to the unforeseen delays which had been encountered it was thought best to continue at once.

The special train placed at our disposal consisted of a sleeping car, a dining car, and a baggage car. The night was unusually cold and heavy winds were blowing, but we arrived at Uyuni, the junction of the Antofagasta 30-inch gauge and of the Bolivian meter gauge, at an early hour on the morning of Tuesday, May 23.

ARRIVAL IN CHILE.

Antofagasta.—We arrived in Antofagasta at 1.30 p. m. and were received by the United States consul, Mr. Thomas W. Voetter, the chief of the Antofagasta custom guard and inspection, Dr. Eliseo Pinto.

Telegrams were sent from Antofagasta to Bolivia thanking the Bolivian Government for their many kind and considerate attentions, and also to the United States Embassy in Santiago, informing them of the expected sailing hour from Antofagasta. The party called on the *intendente* of Antofagasta, the head of the local government, and on Mr. Avalos, the administrator, or head of the Antofagasta custom service. Mr. Avalos took the party through all the storerooms, offices, and different sections of the customhouse. Space is so limited that oftentimes goods are piled in the street or left on the docks where proper watching is almost impossible. Landing is done by launches in a sea which is never really smooth and there is a crying demand for the construction of first-class port works. Much of the cost for new customhouse buildings would be covered by the reclamation of land.

Coquimbo.—The party went aboard the steamship *Flora* at 1 p. m., being conveyed to the ship by the customhouse launch, in charge of Mr. Pinto. The trip along the coast was uneventful. We arrived at Coquimbo at 6 a. m. on Saturday, May 27. This was the first port south of Callao where any green things were seen. It is about the northern limit of the Chilean agricultural region, and is the center of a fairly rich copper mining region, equipped with a good smelter, and only about 35 miles south of the Tofo iron mines operated by the Bethlehem Steel Co. The iron is 68 per cent pure and the company expects to get out about 1,500,000 tons per year. They are now electrifying their private railway, which is about 24 miles long, connecting their mines and the artificial port they have constructed. Coquimbo is a port on a tranquil bay and is the outlet for the Province of the same name. The principal city of the Province is Serena, about half an hour's ride on the railway, which runs trains at frequent intervals. The party went ashore here, sent various telegrams ahead

advising of our expected arrival in Valparaiso, and called on the newly appointed American consular agent, Mr. F. J. Harper, head of the local branch of W. R. Grace & Co. Mr. Harper later called on us aboard the *Flora* at 8.30 a. m., and spent an hour discussing local business conditions, which was highly interesting to the committee. We sailed at 10 a. m., the sea being unusually calm for this section, but the fall in temperature, due to the continual southerly advance, and to our entrance into the cold, northbound Humboldt current, was quite noticeable. For a number of hours during the afternoon it was necessary to whistle and ring the bell, because of the dense fog, but little danger was expected, because of the small number of ships present along the course at this time. By evening the fog had lifted and a few stars were visible.

Valparaiso.—On Sunday, May 28, we arrived at the port of Valparaiso shortly after sunrise and within a very short time after dropping anchor the representative of the intendente, or chief of the local government, called with a launch and arranged for our immediate transfer to shore and the Royal Hotel.

Santiago.—The committee left Valparaiso at 8.30 in the morning of May 30, in a special car, which the Chilean Government had most graciously placed at their disposal. Lunch was secured at Ilay-Ilay, the stations where the railways branch, one going to Santiago, and the other to Buenos Aires. The guests arrived in Santiago at 2 p. m., and were received in the station by Mr. Sánchez Mira, of the treasury department, Mr. Boomer of the office of the commercial attaché, and Mr. Frederic Wightman, head of the house of W. R. Grace & Co. in Chile. The party immediately went to the Grand Hotel.

Two days were spent in visiting the industrial plants of Santiago and in an interesting conference with the minister of finance. The committee also had the good fortune to be invited to attend the opening of Congress, at which function the President of Chile read his annual message.

On Friday, June 2, the ambassador of the United States, Mr. Joseph H. Shea, entertained at luncheon in the embassy Mr. Augusto Villanueva, Mr. Luis Izquierdo, and Mr. Gonzalo Vergara Bulnes, Chilean delegates to the Pan American Financial Conference in Washington; Mr. Clark and Mr. Wands, members of the return visit committee; Mr. George T. Summerlin, first secretary of the embassy; Mr. V. L. Havens, commercial attaché; and Mr. Johnson, second secretary of the embassy.

At 3 o'clock the same afternoon the commercial attaché accompanied Mr. Clark and Mr. Wands to visit the minister of the treasury, Mr. Armando Quezada A., with whom an hour was spent very pleasantly. The minister then took the party to call on the President of the Republic.

On Sunday, an interesting luncheon was given to the committee by Señores Villanueva, Izquierdo, and Vergara in the Union Club.

CHILE AND THE WAR.

During its short stay in Chile the committee was able to secure considerable information about the country's economic situation.

Before the outbreak of the European war in August, 1914, Chile was commercially and financially prosperous, a notable development having taken place in the country during the few years prior to the war.

Serious difficulties arose with the outbreak of hostilities in Europe which paralyzed commerce and industry. These difficulties were as follows:

(a) Through the stagnation of shipping, owing to the presence of Von Spee's squadron and a British fleet on the Chilean coast.

(b) The complete suspension of all banking facilities and the prohibition of the export of practically everything from this country, with the exception of nitrate. Furthermore, the general conditions were very much aggravated by the fact that German banks and German firms had been considerable drawers of bills of exchange on British institutions. These documents were neither accepted nor met when presented for payment, because of British decrees on this subject. The bills were formally protested and returned to Chile.

(c) The momentary paralyzation of financial matters created considerable disorder and led to the closing of most of the nitrate and other industries in the country.

The currency question in Chile has not been affected or modified in any way since the outbreak of the war. The circulating medium in Chile to-day is nominally 150,000,000 Chilean pesos, with a few millions in addition which have been taken out on deposits made by banks to increase their holdings under the law of May 11, 1912.

Financial problems practically solved themselves in regard to the bills drawn by German on British institutions by the bills being returned to Chile protested and met in various ways. The drawing power is practically now in the hands of Chilean and British banks and British and American firms.

The effect of the war on exchange was naturally extremely serious. Prior to the 4th of August, 1914, the rate of exchange ruling was 8½d. and immediately after that date, owing to the scarcity of notes, which had been hoarded and withdrawn from circulation, exchange rose steadily until it touched 9¾d., afterwards falling away to 6¾d., the lowest rate, which was reached September 15, 1914. Since then it has gradually improved as the nitrate enterprises renewed work with the demand for nitrate.

A law was passed just after the outbreak of hostilities with the object of assisting nitrate producers and to encourage them to continue producing and to build up and hold large stocks. This law, which is dated August 12, 1914, allowed for a Government advance of \$3 Chilean currency per *quintal* on nitrate manufactured and placed on the nitrate fields and \$4 Chilean currency per *quintal* of nitrate placed in port ready for shipment. The object of this was to prevent people being thrown out of employment. While these facilities were taken advantage of by several of the larger Chilean producing companies, the general effect of the war on the industry during the first six months of the war was the almost total suspension of the export of nitrate and the consequent closing down of about 80 per cent of the nitrate plants. This necessitated the transportation of a large part of the population from the nitrate fields in the north to the agricultural fields in the south at the expense of the Government and a total suspension of all traffic in shipments of supplies of produce from the southern to the northern ports. The nitrate industry began to revive early in the month of March, 1915, and since then it has steadily improved until we have to-day larger shipments than before the war.

As the country had to live on its own resources agriculture took a spurt, and the keenest endeavors were made to increase the production of all consumable articles. Unfortunately for Chile, however, it proved to be a bad wheat year and a heavy importation took place for the supplies of 1915, wheat touching famine prices. Potatoes were also scarce. The export of all agricultural products was totally suspended by the Government in order to provide for the necessities of the country. Subsequently, however, permits were granted for the shipment of a few cargoes of oats only to Australia, owing to the excessive quantity of this cereal being left in the country.

OBSERVATIONS.

We realize that our trip was too rapid to permit of a thorough study of fundamental conditions. However, every advantage was taken of opportunities offered to obtain a correct view of how the west coast countries met the problems arising as a result of the European war; and in concluding this report, we venture to make the following observations:

(1) Latin America to-day offers opportunities on a basis never presented before, not only for the extension of our trade in foreign markets, but also for the investment of United States capital in profitable enterprises. There is no reason why these investments should not be properly safeguarded. The committee believes that special attention should be given to the financing of contracts insuring a market for American materials and the employment of American skill and labor.

In financing enterprises of a pioneering nature, involving the development of raw products, care should be exercised to secure guarantees against duties or other taxes being raised for a term of years. With these guarantees and an assured labor supply there would seem to be no reason why United States capital should not be profitably employed.

We must not lose sight of the fact that South America is destined to be one of the great sources for the food supply of the more densely settled countries.

(2) The committee recommends the publication by the Department of Commerce or the Pan American Union of a group of small handbooks, one for each Latin-American country, presenting briefly and readably the up-to-date fundamental facts of each country. It would not be necessary to give more than 2,000 to 3,000 words to the smaller countries and 6,000 to 7,000 words to the larger countries. With these handbooks as a foundation, details of industries and commerce could be issued from time to time in pamphlet form.

In making this recommendation the committee does not wish to give the impression that it undervalues the many excellent reports already published by Government departments. It is of the opinion, however, that a great deal is being poured into an already overfull reservoir. If he has the voluminous reports already available, the average American business man has not the time to go through them all on the chance of finding a point of value or interest. It is the belief of the committee that there are enough American manufacturers and merchants who want to do a foreign trade who would welcome an elementary statement of fundamental conditions, such as is contemplated in this recommendation. A great deal of the information already on hand would be found of value in the preparation of the handbooks suggested, but it should be most carefully condensed and systematized.

(3) The committee strongly commends the efforts that are being made for the appointment of citizens of the United States as consular agents in every case possible. Undoubtedly the complete Americanization of the consular service at the present moment is not practicable, but all steps leading in that direction are deserving of congressional support.

ERNEST H. WANDS, *Chairman.*

NOVEMBER 1, 1916.

REPORT OF FINANCIAL AND COMMERCIAL COMMISSION TO CENTRAL AMERICA.

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

SIR: Pursuant to a resolution proposed and adopted by the delegates of the Latin American Republics participating in the Pan American Financial Conference held at Washington, May, 1915, a committee styled the Latin American Return Visit Committee was appointed to make the necessary arrangements for a visit to all the Latin American countries, which visit it was believed would "prove of the greatest value in strengthening and improving our financial, commercial, and political relationships with those countries."

The first of the commissions appointed was to visit Panama and the five Central American Republics and consisted of the following persons: Mr. Lamar C. Quintero, of New Orleans, La., general attorney for tropical divisions of the United Fruit Co.; Mr. Ernest E. Ling, manager of the foreign-trade department, the National City Bank, New York City, N. Y.; Mr. John Clausen, manager of the foreign department, the Crocker National Bank, San Francisco, Cal.; Mr. J. P. Ripley, engineer, of the engineering firm of J. G. White & Co., New York City, N. Y.; Mr. Thomas J. Walker, vice president of the First National Bank, San Fernando, Cal.; Mr. Roger W. Babson, president, Babson Statistical Corporation, Wellesley Hills, Mass.

The above committee, with the exception of Mr. Babson, met at New Orleans during the session of the Foreign Trade Council, in January, 1916, and elected Mr. Quintero as chairman of the committee. Mr. Alfred A. Biddle, of Philadelphia, Pa., was appointed secretary.

Mr. Babson did not join the party until its arrival in Guatemala.

The party, known as the Financial and Commercial Commission to Central America, sailed from New Orleans on February 2, 1916, and the departure was made the occasion of an active demonstration by the people of New Orleans, indicating their live interest in movements affecting the interests of the country in general.

The itinerary of the party was as follows:

February 2. Sailed from New Orleans on United Fruit steamship *Abangarez*.

February 9. Arrived Cristobal and proceeded by rail to Panama City, arriving the same day.

February 10. Left Panama City and went by rail to Cristobal and sailed on United Fruit steamship *Cartago* for Port Limon, Costa Rica. (The stay in Panama was very brief on account of a five-day delay occasioned by an accident to the steamship *Abangarez* in New Orleans.)

February 11. Arrived Port Limón, Costa Rica.

February 12. Proceeded to San José, capital of Costa Rica, arriving same day.

February 19. Left San José by rail and went to Puntarenas on the Pacific coast and embarked on the U. S. S. *Cleveland*.

February 20. Arrived Corinto, Nicaragua.

February 21. Proceeded by rail from Corinto to Managua, the capital of Nicaragua.

February 25. Left Managua, went to Corinto by rail, and sailed on the *Cleveland*.

February 26. Arrived Amapala, Honduras.

February 27. Left Amapala and went by motor boat and automobile to Tegucigalpa, the capital city of Honduras.

March 6. Returned to Amapala and sailed on the *Cleveland*.

March 7. Arrived Acajutla, Salvador, and proceeded by rail to San Salvador, the capital city, arriving the same day.

March 14. Returned to Acajutla and sailed on the *Cleveland*.

March 15. Arrived San José, Guatemala, and proceeded by rail to Guatemala City, the capital of Guatemala, arriving the same day.

March 24. Left Guatemala City by rail and went to Puerto Barrios, on the Atlantic coast of Guatemala, arriving the same day.

March 25. Sailed on the United Fruit Co. steamship *Sixaola*, returning to New York, via Port Antonio, Jamaica, and Santiago de Cuba.

April 3. Arrived New York City.

It will be noted that the stay in each Republic was short, particularly in Panama, and our investigations of financial and commercial conditions were seriously restricted in their scope on this account.

PANAMA.

The commission reached Colón, Panama, on February 8, 1916, and was received by the governor, representing the Government. A special car carried the party across the Isthmus, stopping at various points along the route to view the canal locks. A committee consisting of the minister of finance, the minister of foreign affairs, the secretary to the President, and a number of prominent citizens welcomed us at the station and took us to the hotel.

The United States chargé d'affaires, Mr. Willing Spencer, arranged for an official visit to the President and the minister of finance, and also for a meeting with the association of commerce.

We learned that the Government had established a national section of the International High Commission, composed of prominent merchants and financiers, to work in harmony with the United States section at Washington on questions of uniform legislation, and that a code commission had just completed a set of new codes, suitable to the conditions of the country.

There was considerable complaint about the canal commissaries and storehouses, which enter into serious competition with the merchants of the Republic of Panama, being able to undersell because of nonpayment of duties.

An afternoon was pleasantly spent viewing the Panama Exposition, with its beautiful buildings and its interesting exhibits. At night a banquet was tendered to the commission by the association of commerce, and there was an exchange of views that the friendly relations at present existing between the two countries would be further developed as a result of the visit of the commission.

The Republic covers an area of about 32,000 square miles, and has a population of about 450,000. The climate is very hot, more so than in any of the other Central American Republics, due to its being the most southerly of the group and to its generally lower altitudes. It is unique in that it is cut in two by the Canal Zone, over which the United States has jurisdiction. The capital city is Panama, located on the Pacific side and having a population of about 38,000.

Of a total railway mileage of about 150 miles, the only line of importance is the Panama Railroad, which is owned by the United States and runs across the Isthmus from Colón to Panama, a distance of 48 miles. This line is very well built, having a gauge of 5 feet, about 80-pound steel, and gravel ballast; a considerable part of the track is built with native *lignum-vitæ* ties and screw spikes. It is spanned over most of its length by steel bridges carrying two 3-phase electric circuits which transmit power used by the canal commission for various purposes. It is probable that this was done with the idea of ultimately changing over to electric operation, a change which, from an economic point of view, must be very remote. Oil is now used for fuel. The service on this line is good and rates are high.

The balance of the railway mileage in Panama consists chiefly of banana railroads in the Bocas del Toro region on the Atlantic side. A line of 3 feet 6 inches gauge, generally known as the Chiriqui line, is being constructed by Hobard & Co. for the Panama Government and will run from David Bay, on the Pacific side, in a northwesterly direction, to Boquette. It will open up a considerable amount of coffee country. About 25 miles of this line are now practically completed.

In foreign commerce the balance of trade is against Panama, the value of imports being in general about five times the value of exports. The principal export is bananas. In undeveloped resources, timber is probably of the greatest value. There is a great amount of very valuable timber in the country, but most of it can not be taken out without involving excessive cost of transportation. It is

said that the soil is very fertile for sugar growth and that an extensive development will be possible when transportation facilities are improved.

In the way of manufacturing industries, Panama has practically nothing. The best-known is, of course, the Panama hat industry. These hats were originally made only in Ecuador and Peru, and were called Panama hats because marketed in Panama. Now a considerable proportion are made in Panama.

Panama is said to possess mineral wealth in gold, silver, copper, and zinc, but very few claims have been worked on any commercial scale. It is probable, however, that mining will increase considerably with the future development of transportation facilities.

In banking facilities, as in steamship service, Panama is much better equipped than any of the other Central American Republics. The principal banks are as follows: Banco Nacional, Panama Banking Co., International Banking Corporation, and a branch of the Commercial National Bank, of Washington, D. C.

COSTA RICA.

A distinguished reception committee was on the Limón dock to receive us. We were escorted to the quarters of the Fruit Company and started out for a trip over the wonderful banana plantations. We spent several hours viewing the great development of the country, including the establishment of hospitals, residences, etc. We were entertained at dinner by the reception committee.

Early the next morning a special train took us to San José. This is one of the most beautiful journeys in Latin America. The scenic beauties of the country are wonderful. One passes from a dense tropical jungle to refreshing mountain heights. One week was passed in San José.

The total railway mileage in the Republic is about 430 miles, including the 70-mile Government-owned line from San José to Puntarenas, the Pacific port. The principal system is the Ferrocarril Costa Rica, which is owned by British interests, but is leased for operation to the Northern Railway of Costa Rica, which is owned by the United Fruit Co. The Ferrocarril Costa Rica connects Port Limón, the Atlantic port, and San José.

The line from Port Limón to San José is one of the finest scenic railways in the world. After passing through lowlands near the coast it enters rough mountain country, the scenery becoming continually more beautiful as the higher altitudes of the interior are reached. Swift-running mountain rivers are followed most of the way, and at places there must be as much as 1,000 feet difference in elevation between the railway and the river below. In general the

line is not well located. There are many tortuous curves and grades as high as 4 per cent. The gauge is 3 feet 6 inches, the rails generally of 60-pound weight, and a considerable portion of the ties are of steel, in order to keep the gauge on sharp curves. Most all of the bridges are of steel. The operation of this line must be very costly, due to the profile and alignment and to high maintenance costs brought about by trouble with slides on mountain sides and washouts of bridges. Furthermore, coal from England, costing about \$12 per ton, is used as fuel, but it is said that all the equipment will soon be changed for oil burning, a change which, it seems, should have been made some time ago. Some of the equipment is of American manufacture and the balance English.

The road is capitalized at a high figure and freight and passenger rates are complained of by the Costa Ricans. Passenger rates are about 4 cents per mile and freight rates average about 15 cents per ton-mile. The line could probably not be replaced for less than \$75,000 per mile.

The railway from San José to the Pacific is owned by the Government and is about 70 miles in length. This line likewise runs through rough mountain country, but the territory served is in general more arid and not so productive of local traffic as that to the Atlantic side. The Government line is also of 3-foot 6-inch gauge and is built of about 60-pound steel with wood ties, there being less curvature than on the line to the Atlantic. Most of the equipment is of American manufacture. Wood and coal are used as fuel. There is no deep-water wharf at Puntarenas, and the lighterage charges to and from ships are high. This, together with poor steamship service on the Pacific, as compared with the Atlantic side, places the Government line at a disadvantage in competing with the United Fruit line to the Atlantic.

The lines now in operation, similarly to most railways in tropical countries, suffer from the lack of large volumes of low-grade traffic such as those which form the backbone of revenue of American railways. Costs of construction and operation are high, due to the mountainous nature of the country and to heavy rainfalls. For further development of the interior to the north and south of the two systems, which together form a transcontinental railway, the improvement and extension of highways appears to be the logical method.

The two chief products of Costa Rica are bananas and coffee. The cultivation of bananas, which reached a tremendous output some years ago, has somewhat diminished of late on account of the banana disease, but still large quantities are being shipped. Costa Rica coffee has been famous for years in Europe, where it obtains a high

price because of its exceptional quality and flavor. Some of this coffee is now being shipped to the United States.

The articles imported are principally cotton fabrics, machinery, flour, lumber, lard, coal, rice, and canned and preserved foods, and live animals on foot from Nicaragua.

There are known to be considerable mineral deposits in Costa Rica, but, as yet, there is but little mining, except for gold. The export of gold has been quite large.

At Port Limón the terminal facilities are excellent. There are two wharves with accommodations for six large and two small steamers, and so equipped with track facilities that loading and unloading can be carried on directly from the car to the vessel.

Of course, Costa Rica has suffered like the whole world on account of the European war. The people are fairly prosperous, though the Government is hard pressed on account of the falling off of customs duties. Costa Rica has ample banking houses, but these need additional capital. The International Bank of Costa Rica, established at the suggestion of the President, Don Alfredo Gonzales Flores, some months ago, has helped considerably in weathering conditions.

The establishment of a bank destined to facilitate loans on mortgages at a fair rate of interest would be a blessing to the agricultural interests of the country. The "Cédula" law of Costa Rica should work toward making such a bank merit investigation of American bankers, particularly as the registry of property and the administration of justice in Costa Rica are most reliable.

The commission ascertained that the present parcel-post treaty between the United States and Costa Rica is inadequate, and prejudicial to commerce. A new treaty, along the lines of the German-Costa Rica convention, is now needed. The treaty should increase the weight and size of the package. The collection of extra charges at destination should be prohibited and the country of destination should have its parcel charge prepaid. Ample provision should be made for transportation of parcels in baskets instead of sacks. The American consul, Samuel T. Lee, of San José, Costa Rica, has been very active in this matter, and believes that the adoption of these suggestions would be most advantageous for the trade between the United States and Costa Rica.

The currency is on a gold basis, the monetary unit being the colon, worth about 46 cents United States gold. The principal banks are the Banco Internacional, Banco de Costa Rica, Banco Anglo-Costarricense, the Royal Bank of Canada, and Banco Comercial. The Banco Internacional is an emergency bank, which was founded by the Government to meet the extraordinary financial conditions

brought about by the European war. It will be liquidated soon after the war is over and conditions are again normal. It is a bank of issue and has a capital consisting of Costa Rican treasury bonds. The reserve required by law for banks of issue is 40 per cent in gold.

Interest rates on commercial loans are high, ranging from 10 to 12 per cent. The President proposes to convert the Banco Internacional into a general mortgage bank and induce the three or four commercial banks to combine and form one commercial bank, with the end in view of increasing the total banking power in the country, decreasing interest rates, and providing for the extension of rural credits. The Royal Bank of Canada, realizing the possibilities of profit from the financing of coffee crops, and other commercial banking operations, has recently established a branch in San José.

NICARAGUA.

Nicaragua is the largest of the Central American Republics and the most thinly populated, its area being 49,200 square miles and population about 550,000. The greater part of the population is on the Pacific side, where the land is in general higher and the climate more agreeable than on the Atlantic slope. The capital city is Managua, located near Lake Managua, on the Pacific slope, and having a population of about 30,000.

On the Atlantic coast, the country is in general low and there are many swamps; a considerable area is covered with dense tropical growth, including hardwood trees. On the Pacific side are two large fresh water lakes—Lake Managua, about 16 by 32 miles, and Lake Nicaragua, about 34 by 92 miles. These lakes temper the climate noticeably and both are used for transportation. The San Juan River connects Lake Nicaragua with the Atlantic Ocean and forms a part of the proposed route of the Nicaraguan Canal.

The only railway of importance in the Republic is the Ferrocarril del Pacífico de Nicaragua, a system of 3 feet 6 inch gauge and about 171 miles of track with Pacific terminus at Corinto and inland terminus at Granada, on Lake Nicaragua. There are branch lines to El Viego and Diriamba. This property was originally built by the Nicaraguan Government but is now owned by a corporation of the above name. The Government owns 49 per cent of the stock and the balance is owned by foreign interests.

In contrast with the Costa Rican railways, this line runs through relatively level country and does not include much heavy construction. No great amount of elevation is overcome, grades are in places somewhat heavy over short distances, but this is due to poor location rather than to the topography of the country traversed. Managua and Granada are only about 100 feet above the sea level. A con-

siderable portion of the track is tangent and the speeds of operation are high as compared with other lines in Central America.

It is entirely fair to say that the American management of this railway has done work of great sociological value. The native employees have been taught railroading along the lines of best American practice. This education, together with the work of the hospital department toward improved health of the employees, has surely accomplished something in the way of developing good citizens.

One of the greatest needs of the country is further railway development, particularly a connection of the present system with the Atlantic coast. The Atlantic seaboard is the most advantageous route for importing and exporting; and, as stated before, the greater part of the Nicaraguan population is on the Pacific side. A railroad to the Atlantic would undoubtedly be a great help toward cementing more closely together the peoples of the various sections of the country and thereby lessening the likelihood of revolutionary disturbances.

An Atlantic extension of the Nicaraguan system would involve less initial cost and could be operated more cheaply than the transcontinentals in Costa Rica and Guatemala. Whether or not it would be profitable can not very well be said without making a study of the interior country through which it would run. It appears doubtful, however, that earnings would cover interest on first cost for at least two or three years after commencement of operation, because the interior sections of Nicaragua are sparsely populated and largely undeveloped. The earnings of the new line would also be in a measure at the expense of the present system. The Nicaraguan transcontinental, if built, would probably have more possibilities for the ultimate development of local traffic en route than those across Costa Rica and Guatemala.

The political geography of Nicaragua is interesting. Granada and León are rival cities, the former being the seat of the Conservative Party and the later of the Liberals. Managua, the capital, is about halfway between the two, the location having been chosen as a compromise. León is the largest city in the republic in both population and business.

The only bank of issue in Nicaragua is the National Bank of Nicaragua.

A criticism frequently advanced is the high value of the monetary unit (the córdoba), which is equivalent to our dollar. The laboring classes are accustomed to being paid with depreciated paper currency and there has been some difficulty in convincing them that the córdoba is worth so many times more than the old peso. Some employers contend this has forced them to raise wages.

In addition to the Banco Nacional, there are the Anglo-American Bank and the Commercial Bank of Spanish America, Ltd., which do a general commercial banking business.

The greatest resources of Nicaragua are agricultural, principally coffee and sugar. There is said to be a considerable amount of mineral wealth in Nicaragua, mostly on the Atlantic side, but there has been no geological survey of the country to determine just what the mineral wealth deposits amount to. Like the other Central American republics, Nicaragua possesses timber wealth, but as yet development has not been on any large scale, due presumably to lack of transportation facilities.

In the departments of Chinandega and León the soil is very fertile for the cultivation of sugar. Not far from the town of Chinandega is the property of the Nicaragua Sugar Estates, Ltd., a British concern, which has undertaken sugar cultivation in Nicaragua on an extensive scale. The property covers 9,000 acres and 800 men are employed. The output last year was 6,000,000 pounds of sugar and it is expected that this year's will total 10,000,000 pounds. It is said that the company earns 30 per cent net on its investment.

The country is now recovering from a long period of economic disturbance brought about principally by political unrest. Comparing present conditions in Nicaragua with those which obtained several years ago, the progress of the Republic has certainly been rapid.

HONDURAS.

Honduras is the country of Central America which has perhaps attracted more attention than any of the others on account of the great development that has been going on for some time on the north coast. For the most part Honduras is mountainous and heavily forested, but there are plantations on the uplands splendid for cattle grazing. On the north coast in general the lands are low and it is here where the great banana industry flourishes at its best. Outside of the railways operated by the various banana companies on the coast and the National Railroad running from Puerto Cortez to Pimienta, there is little or no railroad communication between important points. The United Fruit Co., the Vaccaro Bros., and the Cuyamel Fruit Co. maintain steamship lines between the various Atlantic ports and American ports. Amapala, the island port of the Pacific, suffers for want of communication, as do all the other ports on the west coast.

The railroad development on the Atlantic coast has been very great. The Tela Railroad Co. has built over one hundred miles of railroad and erected a thriving port at Tela, with a wharf where large ships can dock and a magnificent hospital for the care of its

employees. The Truxillo Railroad Co. has already built about 25 miles of line, opening up one of the richest agricultural sections of the country, and contemplates extending its line to Jutigalpa. The port of Truxillo, one of the oldest and best in the Republic, is destined to be in the near future one of great importance.

The Republic is even more lacking than Nicaragua in railway mileage and will undoubtedly continue to be so for some time to come, because of the tremendous costs of railway construction and the lack of traffic. There are about 150 miles of railway in the country, all of which is in the northern part and tributary to the Atlantic. The National Railway, owned by the Government, is 65 miles in length and runs inland from Puerto Cortez on the Atlantic coast.

In discussing the subject of transportation routes in Honduras, mention must be made of the Carretera del Sur, the great national highway from San Lorenzo to Tegucigalpa. It was commenced about 15 years ago and its construction was a stupendous task say the least. The country traversed is extremely mountainous. The road is splendidly built—its maximum grade is said to be 9 per cent. It seems unfortunate in a way that the road was built to the Pacific side instead of to the Atlantic, because the Atlantic slope is decidedly the most fertile and the Atlantic seaboard is the most advantageous commercially. Of course, the distance to the Atlantic coast from the capital city is greater than to the Pacific. Shipments over the Carretera del Sur to or from the Pacific are burdened heavily by the cost of lighterage from San Lorenzo to Amapala, a distance of 30 miles through “esteros” from the end of the road to the Pacific port. It is planned to extend the “carretera” to a point on the mainland opposite Amapala and it is possible that the extension will be carried further so as to reach Zacate Island. This work, if carried out, will decrease the cost of lighterage very greatly.

Transportation in the interior is chiefly by mule back or oxcart. It is safe to say that over half the population of the country is dependent on mule-back transportation.

A privately owned automobile service is furnished for passengers between Lorenzo and Tegucigalpa, the fare being \$12. For this service the Government pays a subvention of \$600 per month. The greatest development of the national resources of Honduras has been mining and in the production of certain agricultural products, principally bananas, coconuts, and coffee. The New York & Honduras Rosario Mining Co., the Socorro Gold & Silver Mine, the El Tránsito, and the Sabana Grande Honduras Mining Co. are the principal companies doing business there.

The three principal banks in Honduras are the Banco de Honduras, Banco Atlántida, and the Banco de Comercio. The two first named are banks of issue. The law requires a 40 per cent silver reserve. Rates of exchange are largely influenced by the operations of the New York & Honduras Rosario Mining Co. and the United Fruit Co.

The Honduran Government's debt was mostly incurred about 40 years ago in connection with a Government bond issue sold to Europe for the construction of the Puerto Cortez-Pimienta Railroad. There is considerable difference of opinion in regard to the validity and amount of the debt; various figures from forty to one hundred million dollars are mentioned.

Honduras is reported to be rich in mining resources, largely undeveloped. Gold and silver are the principal ores mined. However, not very many properties are being worked. The largest property under operation is owned by the New York & Honduras Rosario Mining Co., and is located near San Jacinto, about 30 miles from Tegucigalpa. This company is capitalized at about \$2,000,000 and pays 12 per cent dividends. The ore yields about \$10 silver per ton. The company's plant is modern in every respect. These mines have been worked by American capital for about 30 years, and it is said that they are not far from exhaustion. The company has plans under way to open up new fields in another section.

The future development of mining in Honduras will probably be with large scale operations on relatively low-grade ores, and will be somewhat dependent upon the development of transportation facilities.

In agriculture the greatest development has been in the production of bananas on the lowlands near the Atlantic. Hardwood timber resources on the Atlantic slope, although valuable, have not been worked to any extent on account of lack of transportation.

EL SALVADOR.

Salvador is the smallest of the Central American Republics and the most densely populated. With an area of 7,325 square miles and a population of about 1,600,000, it ranks third among the countries of the world in density of population.

This Republic is the only one of the group which does not front on the two oceans, its only coast being the Pacific. This feature is, of course, to its commercial disadvantage. Its trade relations with the United States are mainly through San Francisco. The three principal routes to Salvador from the Atlantic are as follows: First, via Puerto Barrios and the International Railway to Zacapa, Guatemala, and by mule back or carts for more than a hundred miles to San Salvador; second, via Puerto Barrios across Guatemala by rail

to San José, Guatemala, and by ship to any one of the three Pacific ports of Salvador; and third, via the Isthmus of Panama and north by ship on the Pacific to Salvador.

The general topography of the country is volcanic in nature and not unlike that of the Pacific side of Nicaragua. Central American earthquakes are said to often center in Salvador.

The resources of the country are principally agricultural, coffee being of the greatest importance by far. The country seems to be remarkably well adapted to the growth of good coffee, and the density of the population has brought about a very intensive cultivation, with the utilization, in many instances, of very rough mountain sides for planting.

Unlike the other Central American Republics, Salvador produces no bananas on a commercial scale; the growth of bananas in the other Republics is limited almost entirely to the Atlantic lowlands. There are quite a few sugar plantations in Salvador, but the industry is of no great importance and not a great amount is exported. Tobacco is raised, but is of an inferior grade and is only exported to the other Central American countries.

The "balsam of Peru" industry is worthy of mention, particularly because it is the one by which Salvador is best known. The sap, which is used for medicinal purposes, comes from the inner bark of the balsam tree. Scientists say that the balsam tree is native in no country but the west coast of Central America, inferring that "balsam of Peru" is somewhat a misnomer.

Salvador does not possess timber resources comparable with those of the other Central American countries. This is to some extent due to its being entirely on the Pacific slope and also to the necessity of clearing the land for agricultural purposes.

The principal railway is owned by the Salvador Railroad Co., Ltd., an English concern, and runs from Acajutla, on the Pacific coast, to San Salvador, the capital city. The gauge is 3 feet 6 inches and wood is used for fuel. The Salvador Government pays this company a subvention of 25,000 pounds sterling per annum, but this arrangement expired in December, 1916. This line, like the Nicaraguan Railroad, is very dusty. The stations and equipment are in good condition. This railroad has a practical monopoly of rail traffic in and out of the country.

A rail line from San Salvador to the port of La Libertad has been projected, but as yet it has not been finished. A part is already built and owned by local capital, and the failure of the plan of extension is attributed by some to the attitude of those in control of the part already built. This line, if built to La Libertad, would be over the most direct route from the capital city to the coast and would traverse a densely populated section.

The San Salvador-La Unión line is being built by the International Railways of Central America, and there remains a gap of only about 60 miles not yet constructed. It is planned that this line be ultimately extended northward to connect with the Guatemala lines and thus form a part of the Pan American Railway. La Unión is on the Gulf of Fonseca and has a deep water wharf and a good natural harbor.

For internal transportation, Salvador, like the other countries visited, is in great need of more and better wagon roads.

The principal banks are the Banco Nacional de El Salvador, the Banco Agrícola Comercial, and the Banco Occidental. Each of these issues bank notes; the silver reserves required are 50 per cent by the Banco Nacional and 40 per cent by each of the other two.

The Government proposes to put in effect an income tax system which will make up some of the loss in revenue which it has suffered as a result of the war in Europe. It is to be expected that there will be considerable difficulty in establishing such a system on a very remunerative scale because the burden will fall upon a relatively few who are politically influential.

Nearly all the cultivable lands of the Republic have been developed and land values are high. The greater part of the rich lands are owned by a relatively small number of men, mostly Salvadorians.

In its educational system Salvador is second only to Costa Rica. Education is free and compulsory. There is a national university, with colleges of medicine, law, and engineering.

Salvador is a small country, crowded with population, and without any great possibilities of development. In order to realize its national ambitions it, like the other Republics, must, in some way, change its methods of raising funds for the Government.

GUATEMALA.

Except for small areas along the Atlantic and Pacific coasts, and other small areas in the extreme north, Guatemala lies high, with altitudes of from 4,000 to about 11,000 feet. The country is very much broken by mountain ranges, with numerous plateaus and high valleys. The climate is not oppressive and is quite healthy. The soil is fertile and the rainfall is good. The bulk of the population is located in the half of the Republic toward the Pacific. There is but little settlement on the north and a scanty settlement on the Atlantic side.

Although the mountains of Guatemala are known to be rich in minerals, there has, as yet, been very little development in the mining industry of the country.

Guatemala is preeminently an agricultural country, particularly a coffee-growing country, the exports of this product accounting for

about 80 per cent of the total exports. Guatemala coffee, like that of other Central American countries, has a high reputation, particularly in Europe, where it brings, as a rule, the highest prices. Besides coffee there has been a considerable development in bananas and sugar.

The agricultural resources of Guatemala are very great and have been little more than scratched by development, and the methods used have for the most part been primitive.

The coffee-growing business is nearly entirely in the hands of Germans and is the most striking instance in Central America of the practical domination of one field of business activity by foreigners of a single nationality. Germans own plantations producing about a third of the total crop as compared with the domestic-owned total, producing about one-half. A very large proportion of the properties owned by other than German nationalities are mortgaged to German firms.

The banana industry on the Atlantic seaboard is of great importance and is almost entirely in the hands of the United Fruit Co. As yet there has been no trouble from the banana disease in Guatemala.

The sugar-growing industry is of some importance locally, but no great amount is exported. The machinery used is chiefly of English and German manufacture.

There is said to be a great amount of mineral wealth in Guatemala, but as yet there has not been much development. There is a great amount of first-class grazing land for cattle, but only the hides are exported. The country is rich in timber resources, but development has been very slow on account of transportation difficulties.

There is probably more manufacturing in Guatemala than in any of the other countries of Central America. Shoes, hats, furniture, and iron work are those worthy of mention. In Guatemala City a fruit-canning plant has recently commenced operation, and it is planned that several choice Guatemalan fruits be in this way exported to foreign countries.

The total railway mileage is about 500 miles, mostly owned by the International Railways of Central America. This system includes a transcontinental line from San José, on the Pacific, to Puerto Barrios, on the Atlantic, which is the best built of any of the Central American lines, except the Panama Railroad. It is mostly of very costly mountain construction. The gauge is 3 feet 6 inches, and oil is used for fuel. Grades are in general very steep. The line was originally built by a Southern Pacific group headed by Mr. Huntington.

Transportation in the interior is mostly by mule back, ox cart, and on the backs of Indian "cargadores." The costs are, of course, high.

The principal banks are the Banco de Guatemala, Banco Internacional, and Banco Occidental. The monetary unit is the peso, and the circulation consists practically entirely of bank notes. There is no metal reserve worth mentioning, the security behind the bank notes being the indebtedness of the Government to the banks. Consequently, there is no stabilized rate of exchange.

Guatemala has great resources and is destined for vast development.

CENTRAL AMERICA AS A WHOLE.

Each of the Central American Republics possesses a distinctive character of its own, although they are, in many respects, similar and are struggling with certain problems common to all. Each Republic has a national spirit and there is considerable rivalry between them.

The Spanish language is, of course, universally used throughout Central America, and Spanish business methods are still in vogue. As regards climate, the several countries are similar in that there are wide variations depending mainly on altitude. Each country, except Salvador, is rich in undeveloped resources and will remain so, in great measure, until means of transportation are improved and extended.

Before the outbreak of the European war the total value of annual exports from the Central American Republics was about \$44,000,000, of which about \$21,000,000 was sold to the United Kingdom, Germany, and France, and about \$18,000,000 to the United States. The corresponding figures of annual imports are, approximately, \$46,000,000 total; \$17,900,000 from the United Kingdom, Germany, and France, and \$25,000,000 from the United States. From these figures, it will be noted that Central America has been doing quite a business with Europe. The United States, however, has sold more to Central America than Europe has, although buying less than Europe.

After the outbreak of the war, there was a shortage of bottoms, ocean freight rates went up, and the Central Americans found their European trade almost entirely shut off with a consequent reduction in Government revenues derived from imports. In an attempt to make up these decreases, the Governments are struggling with the tremendous problem of instituting some system of direct taxation.

In each Republic, the railroad is the subject of bitter attack. Most of the lines are owned by foreign capital and in general there is but one important railroad in each country. Some of the complainants are prone to compare rates with those on American railways and at the same time refuse to consider the great differences in operating conditions, length of haul, and volume of traffic, which entirely invalidate the comparisons.

It is true that rail rates are in general pretty high in Central America, but they are necessarily so because traffic volumes are small. None of the lines carries any large amount of low-grade commodities such as those which bring American railways a considerable portion of their revenues and which can be moved in heavy trainloads at low unit operating costs. Moreover on some of the lines, particularly those in Costa Rica and Guatemala, the costs of initial construction and of operation are high. These conditions are bound seriously to restrict railway development in Central America. Furthermore, transportation by oxcart and mule back is cheap and often wins out in competition with parallel rail lines when speed is not essential. In the development of the interior, these more primitive methods will be discouraging competitors to the ambitious railroad builder.

Even more important to Central America than the extension of railways is the provision of steamship facilities, particularly on the Pacific side. The Pacific Mail and W. R. Grace & Co. operate the only lines worth mentioning on the Pacific side; the service is infrequent and irregular. At Acapulco, Salvador, we saw 60,000 bags of coffee which we were told had been there some time awaiting ship space. The costs of shipment via the Pacific are very considerably increased by the general lack of deep-water wharves. On the Atlantic side, the service provided by the United Fruit Co. is splendid. Rates are, of course, high at present due to unusual trade and shipping conditions, but this is general all over the world.

The telegraph systems in Central America are owned and operated by the Governments. Rates are surprisingly low and the service is very greatly used, proportionately more so, it appears, than in the United States.

Interest rates are high in Central America, in general about 10 or 12 per cent for commercial loans and for discount of notes. The banking power is not great, in some cases perhaps not enough for legitimate commercial requirements in moving crops, etc. Many of the people who have money keep it in foreign banks, and there is not enough local capital in any one of the countries to carry out permanent improvements of any extent.

The long-time credit, which is more or less universal in Spanish America, is at present a serious barrier to the furtherance of American trade with Central America.

The Central Americans actually attach more importance to credit terms than to price quotations in making purchases from abroad. The long-time credit is deep rooted in Spanish-American custom and has sprung from, and is justified to a certain extent by, fundamental economic conditions. Production is in the main agricultural and is limited to a very few crops. The load factor, so to speak, of money requirements is therefore very low, and there are no manu-

facturing industries to even it up by more or less continual output and employment capacity. The slowness of transportation also contributes, to a certain extent, toward justification of the long credit. It is in general a long time before goods purchased from foreign countries arrive at their destination and their value can be realized.

A report on Central America, touching upon possibilities of extension of American trade and investment of American capital, would be incomplete without mention of the great work of the United Fruit Co. They were the forerunners of the movement toward Pan American trade as far as Central America and the West Indies are concerned. By the investment of many millions of dollars in Latin America they have brought wealth and employment to the natives; have earned a good return on the capital invested; have provided a magnificent fleet of steamships plying to and from the principal ports of the United States and Europe; and last, but not least, have changed the status of the banana in the United States from that of an expensive luxury to that of a cheap, wholesome, and generally used food.

There appears to be a desire in Central America for the establishment of branch banks, with capital to loan to coffee growers, and for other commercial purposes. Coffee growing is generally financed by the advance-payment plan, not unlike the method used in the Southern States for cotton growing, and the rates of interest are very high. European capital has engaged in this field on a large scale and with profit. Branch banks could be exceedingly helpful in obtaining credit information for the use of American manufacturers and which is essential for the furtherance of our export business with Central America.

For machinery, it is surprising to learn of the wide price differences in favor of European concerns as compared with those of the United States; so much so as to make one doubt that American manufacturers can keep the greater part of the machinery business after the war even if they get it.

The English and Germans have been very successful in Central America in the development of an export trade in machinery and general merchandise. They have studied the needs of their customers more carefully and have gone after the business more actively than we have, presumably because foreign trade was to them more essential than to us.

There is a great need for uniformity in forms of consular invoices, trade paper of various kinds, commercial laws, etc., among the several Republics, and, in fact, throughout Latin America. At present each country differs from the others in these respects, with the result that there is unnecessary routine labor in dealing with them. These unnecessary obstacles to trade are bound to be disposed of

before long. The committee were impressed with the constructive work which the chambers of commerce in the various Republics are carrying on toward developing closer commercial relations with the United States. The thought was expressed on many occasions that this could best be accomplished by more intimate affiliation and coalition of the United States Chamber of Commerce and its sister organizations throughout the country with those of Central America.

Experience prompts the suggestion that a workable plan toward that end be initiated, with the recommendation that exhibits of Latin-American products and industries be established in the chambers of commerce of the United States, and like displays made of American products in these Republics.

The appointment of well-qualified representatives of the respective chambers of commerce for the purpose of supplying information relative to commercial and financial conditions would be a logical and constructive corollary to the plan of cooperation suggested.

Of the six countries of Central America, Nicaragua and Guatemala offer the greatest possibilities for development. The Pan American movement and conditions brought about by the European war have awakened in the Central American Republics a new interest in their economic life and their world-trade position. From this new interest and the activity which will spring from it progress is almost certain to result.

MONETARY CONDITIONS.

It is appropriate here to refer to a paper recently prepared by Mr. John Clausen, a member of this commission, in which he said:

"In Central America we find a variety of money standards—with gold, silver, bimetallic, and inconvertible paper circulation—and while this in itself is a study, it would seem a matter of great concern for these Republics to arrange a more uniform medium of exchange, recognizing the essential advantages of a metallic system as against fiat and inconvertible paper issues."

In line with the matters under consideration it may here prove of interest to present a résumé of conditions and requirements of the six Republics comprising Central America:

Panama.—The monetary system of Panama is based on a theoretical gold standard, with the *balboa* as the unit and a circulation of silver half *balboas* and fractional coins.

Unlike other Central American Republics, it has \$6,000,000—part of the \$10,000,000 paid them by the United States Government for the Panama Canal rights—invested in New York City real estate first mortgages, from which a yearly revenue of some \$250,000 is derived. The United States holds the larger part of their foreign

trade, which could be materially increased by the improvement of shipping facilities.

Costa Rica.—The standard monetary unit of Costa Rica is the gold *colón*, with a circulation of bank notes based upon gold—40 per cent—and other assets of the issuing banks. Foreign gold coins circulate freely and, at fixed rates, are accepted as legal tender in the Republic.

The foreign debt amounts to approximately \$17,000,000, as against a yearly public revenue of \$4,000,000, of which some 60 per cent is derived from import duties.

The more pressing needs of this Republic, as elsewhere in Latin America, are adequate commercial credits and facilities to dispose of the coffee crop.

Nicaragua.—The present monetary system of Nicaragua is based upon a theoretical gold standard, of which the *córdoba* forms the unit—with a circulation of silver coins and bank notes guaranteed to be payable in gold—the old paper peso circulation being retired at a fixed rate of \$12.50 pesos for each *córdoba*.

The foreign debt of Nicaragua is comparatively small and consists of \$1,500,000 treasury notes—held mostly in the United States—and \$6,000,000 of outstanding bonds held in Europe, as against a public revenue of about \$2,000,000.

Honduras.—The monetary system of this Republic is on a silver basis, with the silver peso as the unit—subject, therefore, to fluctuation of that metal in the open markets of the world.

The foreign debt of Honduras is estimated—barring the validity of the obligations—at \$120,000,000, of which a very large portion covers 40 years or more of unpaid interest. The internal debt amounts to \$2,500,000, as against Government revenues of approximately \$2,000,000.

Salvador.—The standard monetary unit of Salvador is the silver peso, likewise subject to the rise and fall of the white metal. The circulation consists of silver and bank notes convertible into silver and secured by metallic reserve and other assets of the issuing banks.

The outstanding debt is approximately \$4,000,000, with internal obligations of about \$6,000,000, as against \$7,000,000 of public revenues, of which customs duties represent more than \$4,000,000.

The Government of Salvador is lending every encouragement for the establishment of banks, both commercial and savings, and in this field capital could be most advantageously employed.

Guatemala.—Only nominally on a silver basis—Guatemala depends upon an inconvertible paper currency for its circulation, without any fixed value with relation to gold or foreign exchanges. The bank notes are issued without any Government guaranty, with the

latter indebted to the banks for about the amount of the outstanding circulation—payable in the form of paper currency—which is reported to be approximately 100,000,000 pesos.

The foreign debt of Guatemala is about \$11,500,000, as against public revenues of \$2,500,000.

Our committee member, Mr. John Clausen, likewise serving as chairman of the permanent group committee for Guatemala, has prepared a special report on that country, which it is of interest here to quote:

Latin America offers promising markets for commercial expansion on account of its rich natural resources. Never since our sister Republics severed the political ties with Europe has there been such an opportunity for us to widen the scope of our commercial activities among them.

Central America forms a separate unit and comprises the five Republics lying between Mexico and Panama, viz, Guatemala, Salvador, Honduras, Nicaragua, and Costa Rica, with a combined area of 174,000 square miles and a population of about 5,500,000 inhabitants.

The Republic of Guatemala covers an area of about 50,000 square miles, with an estimated population of 2,120,000 inhabitants (the largest of any Central American country), of which 125,000 reside in the capital, Guatemala City. The name "Guatemala" is probably of Aztec origin, and is said to mean "Land of the Eagle." The bulk of its people are located in that half of the Republic bordering on the Pacific, with a few settlements on the north or on the Atlantic side. Its mountain ranges, with very little exception, give the country an elevation of from 4,000 to 11,500 feet. The Pacific slope is very fertile, and produces large crops of coffee, corn, and sugar; while on the Atlantic side there is found very little agricultural wealth, except from the cultivation of bananas in the lowlands and near the coast. The production of coffee, however, is the principal money crop of the country—moved largely upon funds that have been advanced for that purpose—and on its marketing, therefore, depends much of the prosperity of the Republic.

It is one of the most beautiful countries in Central America, with riches incalculable. Close observers, travelers, and investors have been so impressed with its great potential richness as to prompt the unique saying, "If you tickle the ground with a hoe, it smiles back with a yam."

The guiding force of Guatemala is its president, Manuel Estrada Cabrera, who was born in Quezaltenango, Guatemala, on the 21st day of November, 1857, succeeding Gen. Reina Barrios during the tragic events of February, 1898. He was later elected constitutional chief executive of Guatemala on October 20, 1898.

Guatemala has a good system of primary education. It is of interest to mention that English is compulsory, and that proficiency in that language is a prerequisite to the degree of bachelor of arts.

According to the report of the minister of finance, made under date of April 14, 1915, the debt of Guatemala amounted to \$13,304,759.79, United States gold, made up as follows:

English debt	\$11,785,314.30
Internal debt	1,519,445.40

Total debt (including railroad obligations) 13,304,759.79

Guatemala's external obligations consist of what is called the English debt of 4 per cent which was not contracted by the present administration, but dates

back to the time when all Central America was one federation of Republics, or, in other words, since the independence of Guatemala was established in the year 1821.

Upon the breaking up of the federation, three-fourths of this obligation fell on Guatemala, while the remainder (one-fourth) was allotted to the other four Republics. Subsequent administrations increased the debt by additional loans and delinquency in paying interest, until it reached the aforementioned figure. No new foreign loans have been contracted by the present Government.

Only during the last few years has Guatemala effected a material settlement with its English creditors in resuming payment of interest.

The service of the English debt requires only \$300,000 United States gold annually for interest, which is conveniently cared for, as the Republic has a favorable trade balance of approximately \$3,500,000 United States gold and a net internal revenue of \$1,000,000 to \$2,000,000 United States gold. In naming these figures, however, it must necessarily be taken into consideration that the European war, together with prevailing inadequate transportation facilities, may tend to decrease the Government revenues. The internal indebtedness—which amounts to approximately \$8,000,000 United States gold—has been found difficult to liquidate, with the result that the obligation is constantly increasing through delinquency in payment of interest.

The English loan, however, in spite of the expenditure of large sums on public work and charitable institutions of the country, has received its interest in advance, and this feature is being favorably commented upon by British capitalists. These bonds have been quoted during the greater part of the year at 40 to 41, netting the holders nearly 10 per cent per annum.

Unlike some other Latin-American Republics, the municipalities of Guatemala have no bonded indebtedness, and their temporary advances from local banks are automatically repaid from taxation. The paper currency of the banks has for many years been on a depreciated basis—inconvertible on account of no specie upholding its value—and it is estimated that the total amount outstanding at the present time is approximately 100,000,000 pesos, the further issue of which, however, is being discouraged.

While the external transactions of Guatemala are liquidated in gold and the duties in part imposed on that basis, the actual currency of the country consists of notes—theoretically payable in silver, but not so redeemed—issued by the following six banks: Banco Internacional de Guatemala, Banco Colombiano, Banco de Guatemala, Banco Agrícola Hipotecario, Banco Americano de Guatemala, Banco de Occidente. Authorities affirm that it would take approximately \$12,000,000 in gold to place and maintain the country on a gold basis.

Supply and demand alone regulate not only the value of the currency but also the rate of exchange. What chances there may be for converting the paper money now in circulation into specie bills depends wholly upon the desire of the Government to effect a suitable currency reform.

Among the measures taken to meet these economic difficulties stands the decree of recent date which authorizes the coinage and circulation of \$2,000,000 Guatemala money in copper coins of 25 and 12½ centavos to stabilize the medium of circulation and facilitate business transactions. To prevent these coins from being shipped out of the country, as has been the case with former metal coinage, a restrictive measure has been placed in effect prohibiting the export of copper, aluminum, zinc, and other alloys.

Perhaps if, instead of gold, the silver standard were adopted, Guatemala's interest would be better served, although the rise and fall in the price of the white metal might occasionally unsettle conditions. For one reason or another the necessity of changing the monetary system has not heretofore made itself

vitality felt. Inconvertible paper money may even enlist energetic supporters, especially among coffee growers and producers in general, who find it profitable to pay their laborers in paper money and receive gold for their exports.

In the face of these arguments, however, we must not lose sight of the fact that many disadvantages which result from the depreciated paper peso necessarily affect Guatemala in its foreign commerce as in domestic transactions, by making dearer all articles of consumption and so encouraging the importation of poorer grades of food and necessities of life. This likewise applies to the importation of machinery necessary in agricultural and other industries and in no small measure to the increased burden of the taxpayer to pay for the Government purchases and services in foreign countries, which are made in the equivalent of gold.

It must be remembered that in reforms of a monetary character the exchange depends on the balance of trade rather than the economic balance. The relation of gold and silver with inconvertible paper money can not always be arranged by legislative act.

Guatemala has only one means of going over to a gold or silver standard, and that is to cultivate its own industries, extending principally its agricultural development. This can not be the work of a day. Other nations were years and years accomplishing this end.

A change to a metal standard would undoubtedly prove of great benefit to commerce. On the other hand, agriculture might suffer thereby, and it may perhaps be wiser to establish a system where the paper peso would be given the value of 50 cents gold, guaranteed by the commensurate deposit of like metal, which would no doubt lend stability to foreign exchanges as well.

There is said to be about \$750,000 in United States gold in the Republic and approximately 100,000,000 to 110,000,000 pesos of Guatemalan paper money in circulation.

A few observations may not be amiss in relation to Government finances, and the figures to follow may prove convincing in that respect.

The yield of the public revenue in 1915 was \$85,007,704.74 pesos, as against \$82,399,924.55 pesos in 1914.

The public expenditures for 1915 were \$67,841,283.64 pesos, which exceeded the amount estimated by \$7,778,643.65 pesos.

The total value of trade in 1915 was \$16,639,061.99 gold, as against \$22,085,141.48 gold in 1914. On the other hand, between the imports, amounting to \$5,072,473.03 gold, and exports, aggregating \$11,566,585.96 gold, there was left a favorable trade balance for Guatemala of \$6,494,109.93 gold.

Two causes especially affect Central American trade and finance—the loss of the usual market in Europe and the inadequacy of transportation facilities. The Republic of Guatemala in particular lost its normal outlet for coffee—the largest of its export commodities.

A very cordial feeling has been developed in Guatemala toward the United States, and while a good portion of their imports originate in this country, a much larger percentage of business transactions should be exploited as a result of the favorable opportunities at present. To make our appeals forcible it becomes necessary to invest more capital in the Republic, to extend more liberal credits, to improve banking facilities for export trade, and to make more direct and personal efforts in their markets. At present they need financial assistance and shipping facilities perhaps more than other Latin-American countries. It is essential for the maintenance of the foreign purchasing power of Guatemala to lend help in developing and marketing its products abroad.

THE EXCHANGE PROBLEM.

The exchange problem is at times a serious impediment to a free expansion of trade between Central American countries and the United States. The severity of this problem exists in different degrees in the several countries forming Central America and arises from the monetary systems in practice and the extent to which America is able to buy from Central America. As an example, coffee, which constitutes so great a proportion of the merchantable products, finds its market in Europe, and the American market absorbs very little of it. The speculation in exchange is a vicious condition in trade and leads to a disinclination on the part of some old established mercantile houses to see the monetary systems placed upon a sound basis, because such a condition would narrow exchange fluctuation and remove chances of profitable speculation in exchange.

The principal hindrance to investment of capital arises in a measure from fear of security of peaceful possession of the property and the uncertainty of governmental legislation affecting the interests of the investor. Capital shrinks from the obligation of constant vigilance over political legislation and the probability of being forced to engage in lobbyism and political intrigue to protect its interests, and these conditions deter investments.

If these impediments were removed and assurance were possible from damage by force or legislation, capital would be tempted to investigate the opportunities in the lumber, cattle, mining, agricultural, and transportation resources of the several countries, and considerable progress would no doubt result therefrom calculated to speedily increase the very small foreign trade of the countries.

But these problems are difficult of solution owing to the disinclination of the several countries to cooperate. Intercountry rail transportation is practically nil, and until conditions are arrived at which warrant capital investment for this purpose, the same ignorance and consequent suspicion will last which to-day prevents any intelligent intercountry cooperation. To-day only adventurous capital is warranted to develop the natural resources, and undoubtedly there is room for a certain amount of capital to facilitate actual commercial transactions in the several capitals, but the returns on such capital are incommensurate with the cost of operation when it is considered that this capital would be divided up among the several countries in ratio to the demands and opportunities. Serious capital will undoubtedly wait until financial and political conditions of the several countries are brought more nearly on a sound basis.

Until dangers from force, from revolution, arising either through internal or external causes, are removed, and assurance is given from insecurity arising through political legislation, conservative capital

will hold aloof and no great improvement of conditions can be reasonably expected. Except from the courageous investment of adventurous capital, it does not seem probable that great development will take place.

TRADE AND FISCAL RELATIONS.

It is deemed appropriate, in connection with the foregoing report, to add an article recently written by Mr. Ling, a member of the commission, telling how trade and fiscal relations with Central American countries may be developed and of the obstacles which must be overcome. The article is as follows:

A visit to the countries forming Central America, viz, Panama, Costa Rica, Nicaragua, Honduras, Salvador, and Guatemala, discloses primarily the fundamental fact that, as in the case of the countries forming South America, each country must be regarded as a unit and that it is not proper to group them in considering their economic and political development. These countries, while possessing similar conditions as to topography and products, are each separate and tenacious of their individual integrity, customs, and nationality.

The recent visit to each of these countries was at an unfortunate time in the sense that economic conditions there are rendered abnormal due to the European war, when a very serious falling off in imports has decreased Government revenues and the inability to ship their products of coffee has decreased purchasing power. The bulk of the coffee has been heretofore purchased by Europe, where on account of its fine flavor it has found a ready market; but to-day a greater effort is being made to introduce coffee into the American market. A greater consumption of Central American coffee by the United States will very materially tend to increase the exchange facilities between the two countries which is at the present time a real hindrance to increased trade between the countries. It is generally conceded by the merchants in Central America that the United States is the natural supply market for them, although, owing to the greater knowledge of European merchants and the natural propensity of the Central American to visit Europe rather than the United States, European goods are prevalent in Central America.

MUST ESTABLISH CREDIT AND OTHER DIRECT FACILITIES.

The chief criticism one encounters in Central America is that the United States manufacturers do not send their representatives into the country and do not cater to their business, and are not willing to give the necessary credits. These countries are agricultural countries and the credit season is from crop to crop. The most favored form of credit desired by the Central American merchants seemed to be the "revolving credit" which Europe has given them, but there appeared to be a general desire for a modified credit of say 90 days sight.

In the cities of the countries, especially in Costa Rica, Salvador, and Guatemala, the supplies of merchandise in the stores of the larger merchants present a very good appearance, and more and more American goods are making an appearance. There appeared to be surprisingly few failures, and there is no doubt that in each of these countries there are well-established merchants and enough of them to warrant more energetic sales campaigns by American manufacturers.

FIRST RESULTS OF PAN AMERICAN FINANCIAL CONFERENCE.

The recent establishment of the credit information bureau in connection with the new chamber of commerce at Panama, and similar steps in some of the other countries which seem to have been prompted by the recommendations made at the late financial congress, indicate that there is a growing desire on the part of the merchants themselves for their own protection and for the extension of their trade to furnish credit information similar to that which is readily obtainable in the United States and which heretofore they have not been accustomed to give freely.

These countries are fully alive to the necessity of peaceful progress, and we can not visit the countries and take note of their increasing educational establishments and social and economic endeavors without feeling sympathy for the difficulties with which they have to cope and the apparent earnestness with which they are undertaking the work. There is scope for greatly increased production and purchasing power, but it seems likely to be of slow growth. There is no manufacturing to speak of, and consequently almost everything has to be imported. Clothing, hardware, foodstuffs, chemicals, and drugs find a market. It is fairly easy to ascertain the names of the principal merchants in these countries from the consular records and the banks. The countries are easy of access, and the best way to sell is to send travelers there. All prices should, of course, be quoted in United States dollars, and rigid attention paid to filling and packing the orders.

Agriculture in some of these countries is carried on in a somewhat elementary way, and the natural assumption is that a demonstration of the advantages of employing more modern methods and machinery would result in increased sales of agricultural machinery and tools. As time goes on it is probable that increased interest in manufacturing will rise and lead to a market for industrial machinery.

OPPORTUNITIES FOR CULTIVATING BETTER TRADE RELATIONS.

The natives appear to possess an adaptability to industry, as is shown wherever they are employed in native industries, and they are good agricultural workers.

Considerable interest is now manifested in the cattle industry, and appearances lead to the conclusion that this industry is at least worthy of careful examination and attention with reference to the establishment of frigorificos, so that a ready market may be established for cattle. As education and social upraise take place the balance wheel of a middle class will be created which should tend to assure peaceful progress and greater desires and consequent greater markets.

There appears to be room, too, for investigation of the possibility of increasing the purchase of the hardwoods and mahogany of Central America. To the extent that we are able to increase our consumption of the natural products of the countries we shall be able to that much further increase our ability to sell our products there. There can be no doubt of the suitability of the countries for great development, as is demonstrated by the area adjacent to the Panama Canal, which presents such a striking contrast to some of the portions of the country no worse situated naturally.

Evidences were not wanting which indicated a certain distrust of United States citizens engendered by the unsatisfactory results from concessions granted to incompetent and in some cases irresponsible concessionaires, and it would not

be surprising if the various Governments protected themselves by cancellation of nonemployed concessions and adopted a much more stringent policy in future as to concessions.

SOME OBSTACLES TO OVERCOME.

Except in the coast regions the climate is conducive to active work and is not debilitating. At the present time a degree of dissatisfaction exists in the minds of many Central American merchants because they feel that we are not keen to supply them and to give them the satisfactory terms and treatment that they have received from Europe, and due allowance is not given the United States merchant for the additional burdens imposed upon him by the abnormal war conditions, where he is called upon to supply a large part of Europe's demands in addition to the usual domestic trade and Latin American trade also. There is, however, a moderate market in Central America, which will grow and which is well worth cultivating at this time if we desire to increase our permanent trade in that section of the world. My impression of the Government officials and men in business and social life is that they are earnest, sincere, and remarkably well educated and pleasant to deal with.

A WORD OF THANKS.

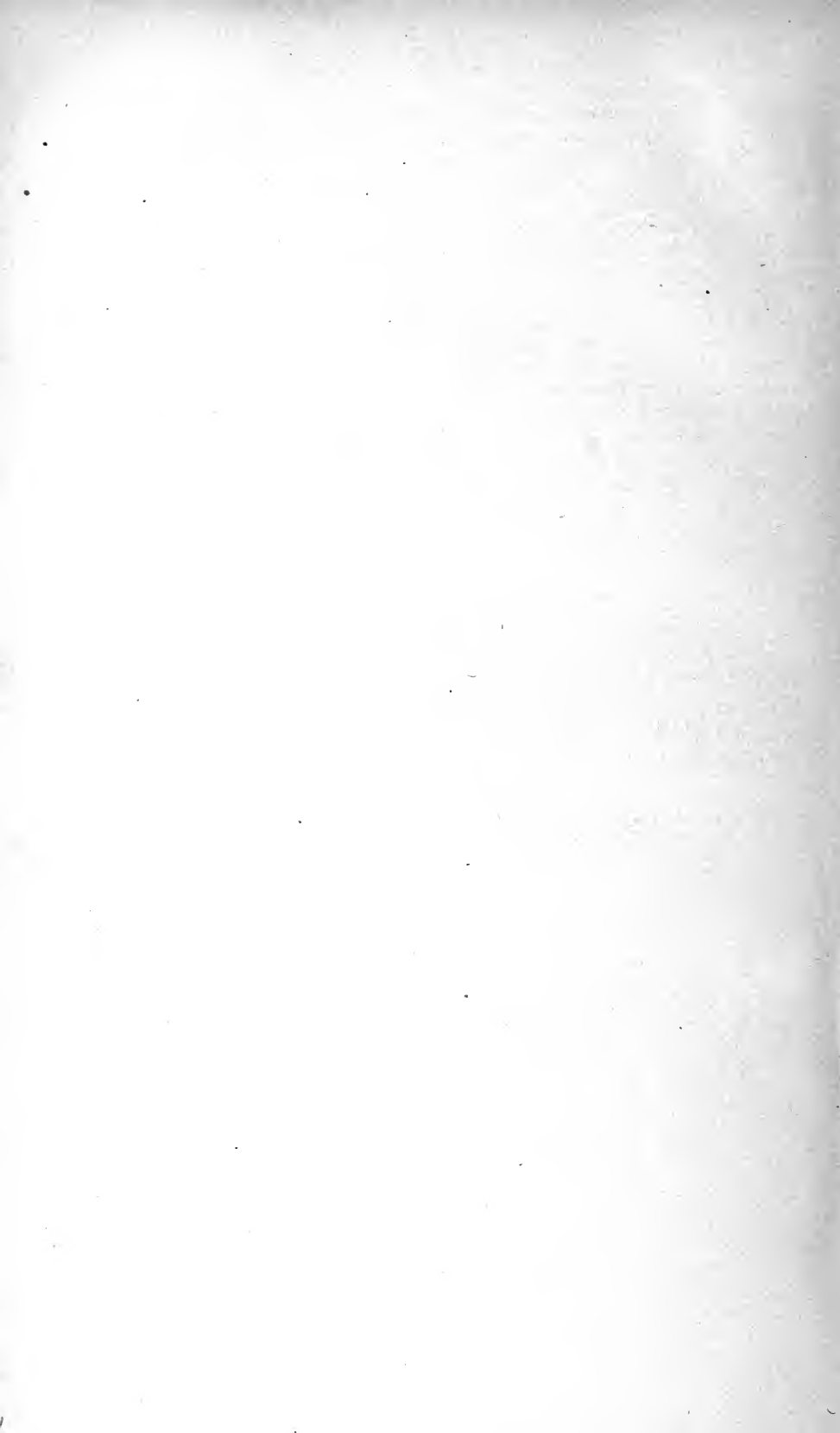
The commission spent two months on its journey. It would have been impossible to visit all these countries in such a brief time had it not happened that the United States Government placed the U. S. cruiser *Cleveland* at the command of the commission for the trip up the west coast. A word of thanks is due to Lieut. E. S. Root, who commanded the vessel, and also to the other officers, for the splendid manner in which they looked after the comfort of the commission.

Respectfully submitted on behalf of the commission.

LAMAR C. QUINTERO, *Chairman.*

NEW ORLEANS, *June 12, 1916.*





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